Financial Report

For the year ended June 30, 2019

Unaudited

UNIVERSITY OF MARY WASHINGTON

where great minds get to work

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The University of Mary Washington (UMW) is one of Virginia's outstanding public liberal arts universities. UMW is a premier, selective, coeducational, public institution offering graduate and undergraduate degrees. In addition to its primary location in the heart of historic Fredericksburg, VA, UMW has two other campuses – one in Stafford, which caters to graduate degree programs, and another in Dahlgren offering continuing education and professional development courses for the region's engineers, scientists and administrative professionals. There are three academic colleges – arts and sciences, business, and education – all of which produce graduates who are critical thinkers prepared to succeed. The University operates a Center for Economic Development, which connects faculty and students with regional initiatives and businesses seeking their assistance. The University also oversees the James Monroe Museum and Law Library in historic Fredericksburg and the Gari Melchers' Home and Studio at Belmont in neighboring Stafford.

There are approximately 4,400 undergraduate students enrolled at the Fredericksburg campus and more than 300 students enrolled in professional studies and graduate programs. The University continues to receive national recognition for its programs and value. The University was recognized as a *Top Producer of Student Fulbright Awards*, 2018-19, by the U.S. Department of State's Bureau of Educational and Cultural Affairs. Once again UMW has been recognized among the nation's best colleges by *Fiske Guide to Colleges 2020.* The *U.S. News & World Report, 2020* named Mary Washington to its "America's Best Colleges". UMW ranked 16th among regional universities in the South, scoring four top honors within that category. Mary Washington ranked seventh in the "Top Public Schools" and "Best Colleges for Veterans" categories, 16th in "Best Undergraduate Teaching" and 18th in "Most Innovative Schools". Students at UMW learn from master teachers, more than 86 percent of whom have earned a doctorate or other terminal degree in their field. The University has no graduate teaching assistants.

The University has earned the 2019 "Great Colleges to Work For" distinction, which is one of the largest and most respected workplace recognition programs in the country.

The University is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The twelve members of the University of Mary Washington's Board of Visitors govern University operations. Members of the board are appointed by the Governor of Virginia.

Overview

This unaudited Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the University's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2019. Comparative numbers are included for the fiscal year ended June 30, 2018. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, as well as notes, and other supplementary information. The University's management is responsible for all of the financial information presented, including this discussion and analysis.

The University's financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB 37, 38 and 63. The three required financial statements are the *Statement of Net Position* (balance sheet), the *Statement of Revenues, Expenses, and Changes in Net Position* (operating statement), and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sections.

Using criteria provided in GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity Omnibus, amendments to GASB Statement 14*, the University's two affiliated

organizations were evaluated on the nature and significance of their relationship to the University. The University of Mary Washington Alumni Association is not considered a component unit, however information regarding its financial activity can be found in Note 18 of the *Notes to the Financial Statements*. The University of Mary Washington Foundation was determined to be a component unit and is presented in a separate column on the University's financial statements. The Foundation is not part of this MD&A, but additional detail regarding its financial activities can be found in Note 19 of the *Notes to the Financial Statements*.

Statement of Net Position

The *Statement of Net Position* (SNP) presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position.

The data presented aids readers in determining the assets available to continue operations of the University. It also allows readers to determine how much the University owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of net position and its availability for expenditure by the University. Sustained increases in net position over time are one indicator of the financial health of the organization.

The University's net position is made up of the following.

- **Net Investment in Capital Assets –** Net Investment in Capital Assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.
- **Restricted Expendable Net Position –** Restricted Expendable Net Position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- **Restricted Nonexpendable Net Position –** Restricted Nonexpendable Net Position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal.
- **Unrestricted Net Position –** Unrestricted Net Position represents resources used for transactions relating to academic departments and general operations of the University, and may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions. These resources are derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are student residential and dining programs.

The University's Total Assets and Deferred Outflows increased $21.7 million, or 5.7%, during fiscal year 2019, bringing Total Assets and Deferred Outflows to $399.6 million at year end. The University's Net Capital Assets grew $26.6 million, while Other Assets decreased $5.9 million.

The increase in Net Capital Assets reflects the ongoing construction and renovation of the Jepson Science Center, Willard Hall and the Amphitheatre along with the capitalization of completed projects offset by depreciation expense. Capital assets are discussed further in the following section and in Note 6.

The Other Assets decrease is primarily due to a $4.5 million increase in spending of cash restricted for the above mentioned capital projects. In addition, the long term note receivable from the University of Mary Washington Foundation of $1.4 million was reclassified to Current Assets based on the January 2020 maturity date.

Virginia Retirement System (VRS) pension and other post-employment benefits transactions, as required by GASB 68 and GASB 75, make up $ 5.7 million of Deferred Outflows of Resources and debt related Deferred Outflows make up the remaining $0.5 million.

Pension and other posted-employment benefit transactions account for $0.5 million increase in this category offset by a $0.1 million decrease in debt related Deferred Outflows of Resources. Deferred Outflows of Resources represent the consumption of net assets applicable to a future reporting period.

The University's Liabilities and Deferred Inflows increased $3.2 million, or 1.4%, during fiscal year 2019 bringing Total Liabilities and Deferred Inflows to $236.5 million. Noncurrent Liabilities make up the majority of the Total Liabilities and Deferred Inflows of Resources. Noncurrent Liabilities is made up of capital debt of $147.9 million, pension and other post-employment benefit liabilities of $48.8 million and Federal Perkins Loan liabilities of $0.5 million, and accrued compensated absences of $0.3 million. In fiscal year 2019, pension and other post-employment benefit liabilities decreased $5.1 million and capital debt increased $4.5 million, creating a net decrease in Noncurrent Liabilities of $0.6 million.

Summary of Statement of Net Position
For the years ended June 30, 2019 and 2018
(All $ in millions)

	2019	2018	Change Amount	Change Percent
Assets				
Current Assets	$ 21.7	$ 21.1	$0.6	2.8%
Net Capital Assets	345.6	319.0	26.6	8.3%
Other Assets	26.1	32.0	(5.9)	(18.4)%
Deferred Outflows of Resources	6.2	5.8	0.4	6.9%
Total Assets & Deferred Outflows	399.6	377.9	21.7	5.7%
Liabilities				
Current Liabilities	27.7	26.1	1.6	6.1%
Noncurrent Liabilities	197.5	198.1	(0.6)	(0.3)%
Deferred Inflows of Resources	11.3	9.1	2.2	24.2%
Total Liabilities & Deferred Inflows	236.5	233.3	3.2	1.4%
Net Position				
Net Investment in Capital Assets	209.9	193.1	16.8	8.7%
Restricted	1.4	1.5	(0.1)	(6.7)%
Unrestricted	(48.2)	(50.0)	1.8	3.6%
Total Net Position	$163.1	$144.6	$18.5	12.8%

Debt related Deferred Inflows of Resources make up $1.5 million of total Deferred Inflows of Resources. VRS pension and other post-employment benefit transactions make up $9.8 million of Deferred Inflows of Resources and account for the $2.2 million increase. Deferred Inflows of Resources represent the acquisition of net assets applicable to a future reporting period.

The University's Unrestricted net position is negatively impacted by the GASB 68 and GASB 75 requirements to record net pension liability and net other post-employment benefits liabilities. Net pension and net other post-employment benefits net liabilities contributed $(53.2) million to the negative Unrestricted net position. Eliminating the effects of those liabilities would leave the University with an Unrestricted net position of $5.0 million.

Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the University's academic and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current structures, as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serves to enrich high-quality instructional programs and residential lifestyles.

Note 6 of the *Notes to Financial Statements* describes the University's investment in depreciable and non-depreciable capital assets in more detail. A net increase in construction in progress, of $31.3 million brought total construction in progress to $49.3 million at fiscal year-end. The adjacent table indicates those capital projects still in progress at year end.

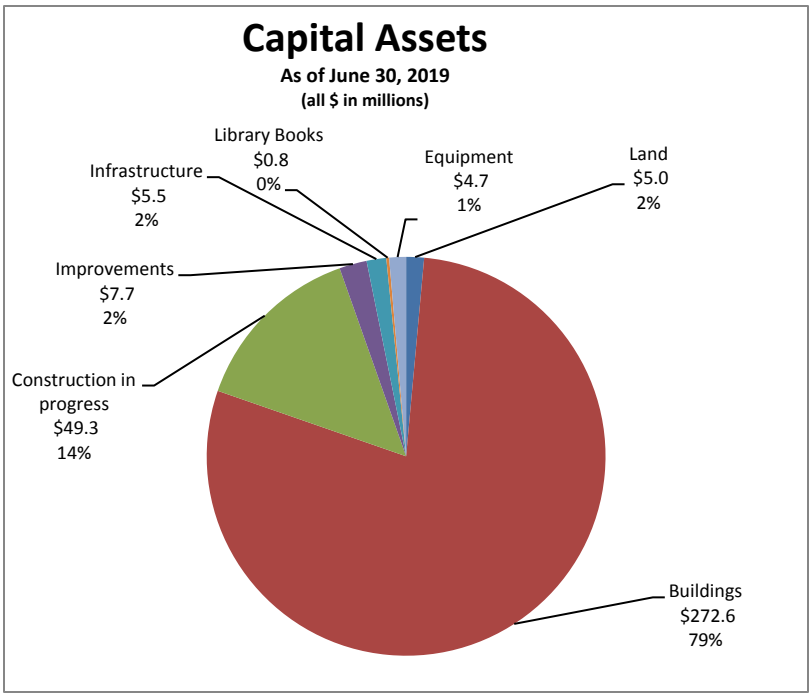
Construction in Progress
For the year ended June 30, 2019
(All $ in millions)

	Project Amount
Jepson Science Center	$ 28.2
Willard Hall	15.1
Arrington/Virginia	2.5
Seacobeck	2.8
Repair/Replace Utilities	0.4
Other	0.3
Total construction in progress	**$ 49.3**

Capital project completions
For the year ended June 30, 2019
(All $ in millions)

	Project Amount
Amphitheatre	$ 3.0
Pool Improvements	0.4
Battleground	0.1
Total capital project completions	**$3.5**

The value of completed projects was added to depreciable capital assets. The University also added $1.2 million in instructional and research equipment and library books to capital assets in fiscal year 2019. The adjacent table indicates capital projects completed during fiscal year 2019.



Capital projects in progress carry commitments to construction contractors, architects, and engineers totaling $17.5 million at June 30, 2019. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the University's financial statements. Additional information can be obtained in Note 12 of the *Notes to Financial Statements.*

Notes 8 and 9 of the *Notes to Financial Statements* contain information about the long-term debt of the University. All debt of the University is directly related to the acquisition of capital assets.

Statement of Revenues, Expenses, and Changes in Net Position

Operating and non-operating activities creating changes in the University's total net position are presented in the *Statement of Revenues, Expenses, and Changes in Net Position*. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

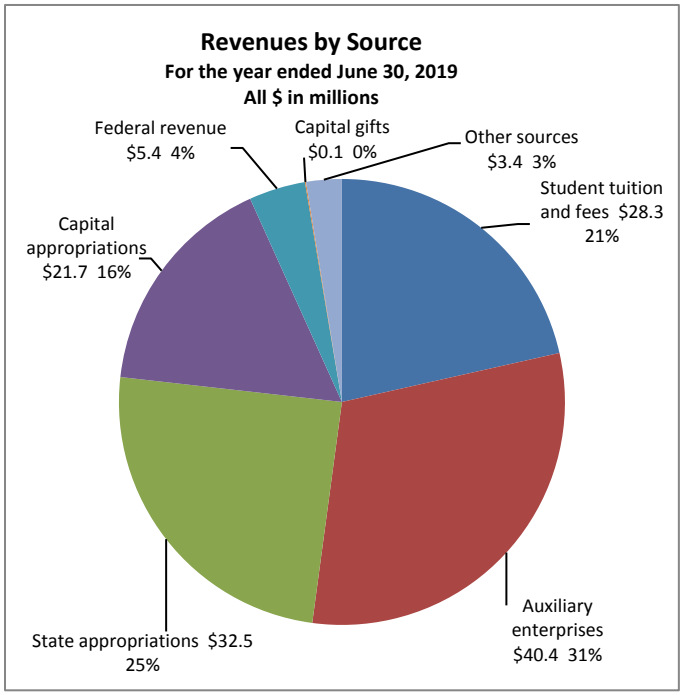
Operating revenues are generally received through providing goods and services to the various customers and constituencies of the University. Operating expenses are expenditures made to acquire or procure the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Salaries and fringe benefits for faculty and staff are the largest operating expenses. Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts included in non-operating revenues provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, will expect to show an operating loss.

Operating Revenue

The University's total operating revenue decreased $1.6 million, or 2.2%, from the prior fiscal year. Tuition, room, and board rates increased while enrollment slightly decreased from fiscal year 2018 to fiscal year 2019. Student Tuition and Fees, Net is made up of gross tuition and related comprehensive fee revenue less related scholarship allowances. While gross student tuition and fee revenue increased $0.5 million, related scholarship allowances increased $1.1 million resulting in a decrease in Student Tuition and Fees, Net of $0.6 million, 2.1%. Auxiliary Enterprises, Net decreased $1.5 million, 3.6%, due to decreases in housing and meal plan revenue as a result of residential housing maintenance and renovations. Revenue from the UMW Bookstore, rental of facilities, parking management, the Fitness Center, and the like are also included in Auxiliary Enterprises, Net.

Summary of Revenue
For the years ended June 30, 2019 and 2018
(All $ in millions)

	2019	2018	Change Amount	Change Percent
Operating revenue				
Student Tuition and	$ 28.3	$ 28.9	$(0.6)	(2.1)%
Grants and Contracts	1.8	1.4	0.4	28.6%
Auxiliary Enterprises,	40.4	41.9	(1.5)	(3.6)%
Other Operating	1.4	1.3	0.1	7.7%
Total Operating	71.9	73.5	(1.6)	(2.2)%
Non-operating Revenue				
State Appropriations	32.5	31.9	0.6	1.9%
Federal Pell Grant	4.0	3.9	0.1	2.6%
Other Non-operating	1.6	2.0	(0.4)	(20.0)%
Total Non-	38.1	37.8	0.3	0.8%
Other Revenue				
Capital Appropriations	21.7	9.4	12.3	130.9%
Capital Gifts and	.1	2.2	(2.1)	(95.5)%
Total Other	21.8	11.6	10.2	87.9%
Total Revenue	$131.8	$122.9	$8.9	7.2%



Non-operating and Other Revenue

Non-operating Revenue increased $0.3 million, 0.8%, in fiscal year 2019. An increase in State Appropriations contributed $0.6 million to this increase, Pell Grant revenue contributed $0.1 million, and Other Non-operating revenue decreased $0.4 million. Other Non-operating revenue totaled $1.6 million, includes Investment Income of $0.8 million and Federal Bond Subsidies of $0.5 million and Gain on Disposal of Capital Assets of $0.3 million.

Other Revenue consists of Capital Appropriations and Capital Gifts and Contributions. Capital Appropriations increased $12.3 million reflecting ongoing support of the University construction and renovation projects. The decrease in Capital Gifts reflects completion of the donor supported Amphitheater project.

Total Expenses

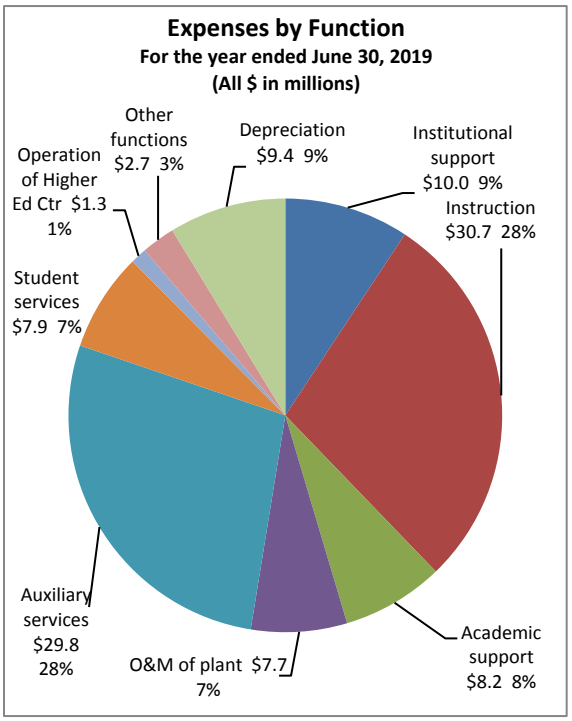
The expenses of the University can also be separated into operating and non-operating expenses. The operating expenses of the University can be divided either by natural classification or by function. Note 10 in the *Notes to Financial Statements* displays the correlation between the two different methods of classification. Functional classification is the method presented in the *Statement of Revenues, Expenses, and Changes in Net Position.*

Overall, the operating expenses of the University decreased $2.0 million or 1.8% in fiscal year 2019. The Commonwealth experienced a large decrease in pension expense, therefore the University's proportionate share of that pension expense also decreased resulting in a reduction in expenses of $1.3 million. The table below provides a year to year comparison of operating expenses by function.

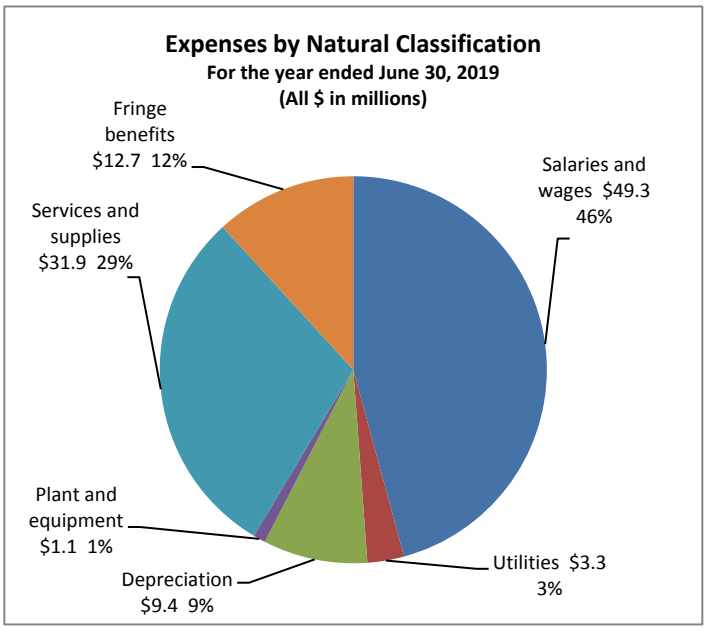
When looking at the expenses of the University by function, the largest expenses are those of Instruction and Auxiliary services. These functions represent the core of any University – the education of students as well as their housing and dining. Expenses for Instruction, Institutional Support and Operation of Higher Education Centers remained relatively level compared to the previous fiscal year. Auxiliary Services realized a reduction in fringe benefit expense of $0.4 million related to the reduction in the Commonwealth's VRS pension expense and realized a reduction of $0.5 million in expenses for Services and Supplies, however those savings were offset by a $1.0 million increase in utilities expense that was recorded in Operation and Maintenance of Plant in prior years. Expenses for Academic Support and Student Services decreased, primarily due to the reduction in pension expense. The decrease in Operation and Maintenance of Plant is due to the previously mentioned change in recording $1.0 million in utilities expense to Auxiliary Services along with an overall increase in utilities expense of $0.2 million.

Summary of Expenses by Function
For the years ended June 30, 2019 and 2018
(All $ in millions)

	2019	2018	Change Amount	Change Percent
Operating expenses				
Instruction	$30.7	$30.8	($0.1)	(0.3)%
Research	0.3	0.3	0.0	0.0%
Public Service	0.5	0.5	0.0	0.0%
Academic Support	8.2	8.9	(0.7)	(7.9)%
Student Services	7.9	8.4	(0.5)	(6.0)%
Institutional Support	10.0	9.9	0.1	1.0%
Operation & maintenance of plant	7.7	8.5	(0.8)	(9.4)%
Depreciation	9.4	9.8	(0.4)	(4.1)%
Student aid	0.9	0.7	0.2	28.6%
Auxiliary services	29.8	29.7	0.1	0.3%
Operation of Higher Ed. Centers	1.3	1.2	0.1	8.3%
Museum & cultural services	0.7	0.7	0.0	0.0%
Historic attraction management	0.3	0.3	0.0	0.0%
Total operating expenses	$ 107.7	$ 109.7	($2.0)	(1.8)%



When looking at the expenses of the University by natural classification the largest expenses incurred are those for salaries and wages of employees. A summary of Expenses by Natural Classification can be found in the table below. Salaries and wages were unchanged. While expenses for classified employee positions decreased due to cost savings strategies that prevent filling vacant positions, salaries for instructional faculty increased. Fringe benefits decreased $1.7 million, most of which can be attributed to the decrease in pension expense previously described.



Summary of Expenses by Natural Classification
For the years ended June 30, 2019 and 2018
(All $ in millions)

	2019	2018	Change Amount	Change Percent
Operating expenses				
Salaries and wages	$ 49.3	$ 49.3	$0.0	0.0%
Fringe benefits	12.7	14.4	(1.7)	(11.8)%
Services and supplies	31.9	31.8	0.1	0.3%
Utilities	3.3	3.1	0.2	6.5%
Plant and equipment	1.1	1.3	(0.2)	(15.4)%
Depreciation	9.4	9.8	(0.4)	(4.1)%
Total operating expenses	**$107.7**	**$109.7**	**($2.0)**	**(1.8)%**

Changes in Net Position

The decrease in operating revenues minus the decrease in operating expenses resulted in an operating loss of $0.4 million, 1.1%, smaller in fiscal year 2019 than in the previous fiscal year. The University recognized an operating loss for fiscal year 2019 of $35.8 million. Non-operating revenue, in the form of state appropriations and capital appropriations, was used to cover the operating loss of the University. The University's fiscal year end 2019 net position of $163.1 million is $18.5 million higher than it was at the end of 2018. An increase in Net Position generally signifies growth in the institution.

The table below summarizes fiscal year 2019 changes in net position.

Summary of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2019 and 2018
(All $ in millions)

	2019	2018	Change Amount	Change Percent
Operating revenues	$ 71.9	$ 73.5	$ (1.6)	(2.2)%
Operating expenses	107.7	109.7	(2.0)	(1.8)%
Operating loss	(35.8)	(36.2)	0.4	1.1%
Non-operating revenues and expenses	32.5	32.3	0.2	0.6%
Loss before other revenues, expenses, gains or losses	(3.3)	(3.9)	0.6	15.4%
Other revenues, expenses, gains or losses	21.8	11.6	10.2	87.9%
Increase in net position	18.5	7.7	10.8	140.3%
Net position – beginning of year	144.6	136.9	7.7	5.6%
Net position – end of year	$ 163.1	$ 144.6	18.5	12.8%

Statement of Cash Flows

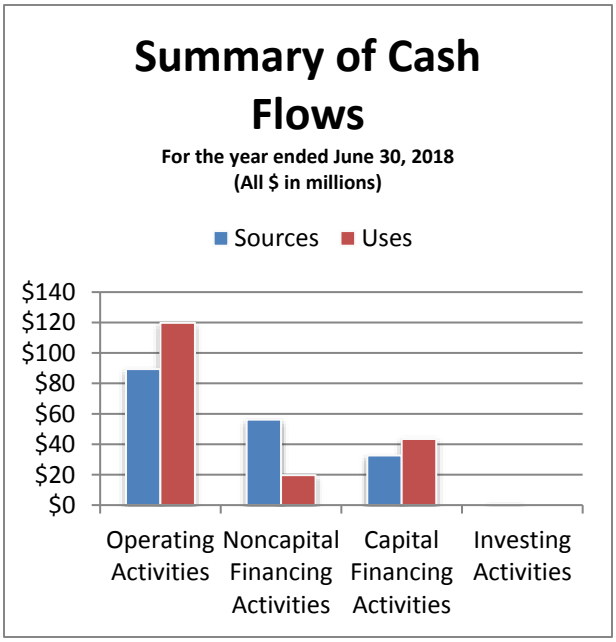
The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference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

Statement of Cash Flows
For the years ended June 30, 2019 and 2018
(All $ in millions)

	2019	2018	Change Amount	Change Percent
Net cash used by operating activities	$ (30.3)	$ (26.7)	$ (3.6)	(13.5)%
Net cash provided by noncapital financing activities	36.5	35.7	0.8	2.2%
Net cash provided/(used) by capital financing activities	(10.8)	12.5	(23.3)	(186.4)%
Net cash provided by investing activities	0.8	0.4	0.4	100.0%
Net increase/(decrease) in cash	(3.8)	21.9	(25.7)	(117.4)%
Cash – beginning of year	43.0	21.1	21.9	103.8%
Cash – end of year	$39.2	$43.0	$(3.8)	(8.8)%

The statement is divided into five sections. The first section, *Cash flows from operating activities*, deals with operating cash flows and shows net cash used by the operating activities of the University. The *Cash flows from noncapital financing activities* section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires that general appropriations from the Commonwealth be shown as cash flows from noncapital financing activities. Since state appropriations are used to cover the operating expenses of the University, net cash should always be used by operating activities and provided by noncapital financing activities. *Cash flows from capital financing activities* presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as capital appropriations are included in cash flows from capital financing activities. *Cash flows from investing activities* reflects the cash flows generated from investments, including purchases, proceeds, and interest. The last section reconciles the operating loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

Overall, the University experienced a net decrease in cash of $3.8 million during fiscal year 2019. Cash provided by non-capital financing activities, including State appropriations and Federal funds, less net cash used by operating activities resulted in cash provided to the University of $6.2 million. Net cash used in the financing of capital projects plus cash from investment activities, resulted in cash used by the University of $10.0 million.



Total cash and cash equivalent balances at fiscal year-end were $39.2 million. The primary sources of operating cash for the University were from student tuition and fees, $45.1 million, and auxiliary enterprises, $40.8 million. The largest amounts of operating cash were spent on employee compensation and benefits, $65.3 million, payments for services and supplies, $33.0 million, and student scholarships, $17.1 million.

Primary sources of cash from noncapital financing activities are state appropriations, $32.5 million, and Federal grant and loan programs, $22.4 million. The primary use of noncapital financing cash is for Federal loan programs. As discussed above, GASB requires that general appropriations be shown as cash from noncapital financing activities and used to cover operating activities.

Economic Outlook

The University's economic outlook is closely tied to that of the Commonwealth of Virginia. As a state-supported higher education institution, the economic outlook for the University is affected by the revenue and budgetary environment of the Commonwealth. The University receives significant Commonwealth support from operating and capital appropriations.

State funding for Educational and General (E&G) Programs will increase in fiscal year 2020 as reflected in the appropriation act (Chapter 854) passed by the 2019 General Assembly. In addition to an increase in general fund support for operational costs, the General Assembly adopted a 2.75% across-the-board increase and a 2.25% merit increase for classified staff and a 3% increase for faculty effective June 10, 2019.

Early revenue reports from the Secretary of Finance for the 2020 fiscal year reflect higher than projected revenues, an increase in payroll withholding taxes, growth in sales taxes, and a steady unemployment rate of 2.9 percent. Recent national indicators suggest continued moderate expansion of the economy, although there are key warning signs of a potential future downturn.

In addition to support from the Commonwealth, tuition and fees and student enrollment are critical components of the University's financial outlook. For 2019-20, the University's Board of Visitors adopted no increase for in-state tuition and mandatory E&G fees; no increase for room and board rates; an increase of $556 for the auxiliary comprehensive fee and a $492 increase in tuition for out-of-state students. The University received additional state funding for holding tuition and E&G fees flat for Virginia undergraduate students.

Preliminary enrollment numbers for the fall 2019 semester are lower than fall 2018 but are being managed through the adoption of budget savings strategies. Moving forward, the University is implementing a new Student Success Plan aimed at improving retention, student yield rates and stabilizing the size of the freshman class.

The University's executive management believes the University will maintain its stable financial foundation. Management's policies of cost containment, adherence to its core mission, enhanced efforts in enrollment management, and investment in key initiatives will ensure the University maintains its established reputation for high quality academic programs, first-rate faculty, and excellent students.

STATEMENT OF NET POSITION

For the year ended June 30, 2019

	UMW	UMW Foundation
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents (Notes 3, 19)	$17,032,741	$3,238,499
Securities lending cash and cash equivalents (Note 3)	3,566	
Accounts receivable, net of allowance for doubtful accounts (Note 4)	1,736,167	1,207,405
Pledges receivable, current portion (Note 19)		470,224
Due from Foundation (Note 17)	1,613,728	
Due from University (Note 17)		173,604
Inventories	382,825	1,574
Prepaid items	961,362	322,706
Other current assets		23,748
Total current assets	**$21,730,389**	**$5,437,760**
Noncurrent assets:		
Restricted cash and cash equivalents (Notes 3, 19)	22,154,859	6,663,169
Restricted investments (Note 19)		48,398,526
Other restricted assets	1,016,000	
Accounts receivable net noncurrent (Note 4)	523,225	
Due from Commonwealth, restricted (Note 5)	2,403,705	
Pledges receivable, noncurrent portion (Note 19)		424,390
Other noncurrent assets		891,186
Non-depreciable capital assets (Notes 6, 19)	54,377,551	36,255,912
Capital assets, net of accumulated depreciation (Notes 6, 19)	291,255,135	86,407,629
Total noncurrent assets	**$371,730,475**	**$179,040,812**
Total Assets	**$393,460,864**	**$184,478,572**
Deferred Outflows of Resources:		
Deferred Outflows of Resources - debt	500,156	
Deferred Outflows of Resources - pensions (Note 13)	3,567,986	
Deferred Outflows of Resources - post-employment benefits (Note 14)	2,116,120	
Total Deferred Outflows of Resources	**$6,184,262**	**-**
Total Assets and Deferred Outflows	**$399,645,126**	**$184,478,572**

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION (CONTINUED)

For the year ended June 30, 2019

	UMW	UMW Foundation
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable (Note 7, 19)	17,179,125	1,041,466
Unearned revenue	1,648,941	66,045
Deposits held in trust	1,288,343	160,453
Obligations under Securities Lending Program	3,566	
Due to Commonwealth	3,454	
Due to Foundation (Note 17)	173,604	
Due to University		1,613,728
Long-term liabilities – current portion (Notes 8, 9, 13)	7,045,991	3,601,069
Long-term other post-employment benefits – current (Notes 8, 14)	325,085	
Total current liabilities	**$27,668,109**	**$6,482,761**
Noncurrent liabilities:		
Long-term liabilities other – noncurrent (Notes 8, 9, 16, 17, 19)	148,275,098	144,353,440
Long-term pension liabilities – noncurrent (Notes 8, 13)	48,697,587	
Federal Perkins loan program contributions refundable (Note 8)	539,431	
Total noncurrent liabilities	**$197,512,116**	**$144,353,440**
Total Liabilities	**$225,180,225**	**$150,836,201**
Deferred Inflows of Resources:		
Deferred Inflows of Resources - debt	1,466,286	
Deferred Inflows of Resources - pensions (Note 13)	4,500,000	
Deferred Inflows of Resources - other post-employment benefits (Note 14)	5,339,319	
Total Deferred Inflows of Resources	**$11,305,605**	**-**
Total Liabilities and Deferred Inflows	**$236,485,830**	**$150,836,201**
Net Position		
Net investment in capital assets	209,945,456	320,153
Restricted for:		
Nonexpendable:		
Permanently restricted		45,997,762
Expendable:		
Other post-employment benefits	1,016,000	
Loans	200,200	
Sponsored programs	169,851	
Temporarily restricted		11,764,425
Unrestricted	(48,172,211)	(24,439,969)
Total Net Position	**$163,159,296**	**$33,642,371**

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2019

	UMW	UMW Foundation
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $16,700,695	28,293,825	
Federal grants and contracts	778,672	
State grants and contracts	51,246	
Nongovernmental grants and contracts	942,174	
Auxiliary enterprises, net of scholarship allowances of $380,766	40,373,940	
Foundation operations		17,918,117
Other operating revenues	1,408,767	
Total operating revenues	**$71,848,624**	**$17,918,117**
Operating expenses: (Note 10)		
Instruction	30,705,524	
Research	307,008	
Public service	555,885	
Academic support	8,176,725	
Student services	7,842,014	
Institutional support	9,985,224	
Operation and maintenance of plant	7,719,783	
Depreciation	9,368,035	
Student aid	873,134	
Auxiliary activities	29,830,011	
Operation of Higher Education Centers	1,309,572	
Museum and cultural services	694,221	
Historic attraction management	320,617	
Foundation operations		18,628,428
Total operating expenses	**$107,687,753**	**$18,628,428**
Operating Gain/(Loss)	**(35,839,129)**	**(710,311)**
Non-operating revenues/(expenses):		
State appropriations (Note 11)	32,480,817	
Federal student financial aid – Pell grant revenue	4,009,160	
Federal Build America Bond interest subsidy revenue	593,551	
Investment income/(loss)	793,939	3,568,962
Unrealized gain/(loss) on interest rate swap contracts		(5,645,861)
Gain/(Loss) on disposal/impairment of capital assets	272,007	
Interest on capital asset related debt	(5,545,008)	(5,970,523)
Net non-operating revenues/(expenses)	**$32,604,466**	**$(8,047,422)**
Income/(Loss) before other revenues, expenses, gains, or losses	**(3,234,663)**	**(8,757,733)**
Capital appropriations (Note 5)	21,661,149	
Capital gifts	154,127	
Additions to term endowments		1,853,324
Additions to permanent endowments		2,704,033
Net other revenues, expenses, gains, or losses	**$21,815,276**	**$4,557,357**
Increase in net position	**$18,580,613**	**$(4,200,376)**
Net Position – Beginning of year	**$144,578,683**	**$37,842,747**
Net Position – End of year	**$163,159,296**	**$33,642,371**

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	UMW
Cash flows from operating activities:	
Student tuition and fees	45,143,300
Grants and contracts	820,782
Auxiliary enterprises	40,763,246
Other receipts	2,572,696
Payments to employees	(49,415,136)
Payments for fringe benefits	(15,927,732)
Payments for services and supplies	(32,959,626)
Payments for utilities	(3,286,789)
Payments for scholarships and fellowships	(17,081,461)
Payments for noncapitalized plant and equipment	(1,092,107)
Collection of Perkins and other loans from students	126,806
Net cash used by operating activities	**$(30,336,021)**
Cash flows from noncapital financing activities:	
State appropriations	32,480,932
Federal Pell Grant revenue	4,009,160
Federal Direct Loan Program receipts	18,375,702
Federal Direct Loan Program payments	(18,375,702)
Funds held for others - receipts	1,336,879
Funds held for others – disbursements	(1,320,604)
Net cash provided by noncapital financing activities	**$36,506,367**
Cash flows from capital and related financing activities:	
Capital appropriations	22,098,763
Capital contributions	131,000
Purchase of capital assets	(33,585,084)
Proceeds received from capital debt	10,395,794
Principal paid on capital debt, leases, and installments	(5,428,833)
Interest paid on capital debt, leases, and installments	(4,417,105)
Net cash used by capital financing activities	**$(10,805,465)**
Cash flows from investing activities:	
Interest on investments	793,937
Net cash provided by investing activities	**$793,937**
Net decrease in cash	**$(3,841,182)**
Cash – Beginning of the year	**$43,028,782**
Cash – End of the year	**$39,187,600**

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2019

	UMW
Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	**$(35,839,129)**
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	**9,368,035**
Changes in assets, liabilities, deferred outflows, and deferred inflows:	
Accounts receivable (operating portion)	545,574
Inventories	303,605
Prepaid expenses	(30,241)
Other post-employment benefits assets	(86,000)
Deferred outflows of resources related to pensions and other post-employment benefits	(438,200)
Due from Foundation	187,568
Accounts payable	(1,194,825)
Unearned revenue	(236,398)
Deposits held in trust, excluding Agency funds	6,407
Due to Foundation	(239,624)
Due to Commonwealth (operating portion)	(1,091)
Accrued leave liability	73,122
Pension and other post-employment benefits liability	(5,006,667)
Deferred inflows of resources related to pensions and other post-employment benefits	2,251,843
Total adjustments	**$5,503,108**
Net cash used by operating activities	**$(30,336,021)**
Noncash investing, capital, and financing activities	
Capital assets and retainage accrued	1,470,538
Bond premium, discount, gain, loss amortization	525,695
Gain on disposal of fixed assets	272,007
Gift of capital assets	23,128

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The University of Mary Washington is a comprehensive University that is part of the Commonwealth of Virginia's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. As such, the University is a component unit of the Commonwealth of Virginia and is included in the Comprehensive Annual Financial Report of the Commonwealth.

The University also benefits from a number of organizations that exist mainly to support the various purposes and activities of the University. In accordance with Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations Are Component Units* and Statement 61*, The Financial Reporting Omnibus,* amendments of GASB Statement 14*,* the University is presenting the financial position of the University of Mary Washington Foundation (UMW Foundation) as a discrete component unit. The UMW Foundation is a tax-exempt not-for-profit 501(c)(3) organization incorporated under the laws of the Commonwealth of Virginia. The UMW Foundation is a legally separate entity from the University that was formed to seek, receive, hold, invest, administer, and distribute funds and property of all kinds, exclusively in furtherance of the educational activities and objectives of the University. The UMW Foundation issues its own independently audited financial report, in addition to being included in the statements of the University. The financial reports of the UMW Foundation include the net position and results of operations of eleven wholly or majority owned subsidiaries, each incorporated as a limited liability corporation within the Commonwealth of Virginia. The 38-member Board of Directors of the UMW Foundation is comprised of University alumni and friends of the University, including 6 ex-officio Directors. While the University benefits from activities of the UMW Foundation, the University does not control the budget or operations of the UMW Foundation. Its financial information is presented discretely, in a separate column, in University's financial statements.

The University also benefits from the University of Mary Washington Alumni Association (UMW Alumni Association). The UMW Alumni Association is a nonprofit organization incorporated in the Commonwealth of Virginia to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. The Alumni Association issues its own independently reviewed financial report. Twenty-two of the 23-member Board of Directors are elected by the general membership of the Association while the last member is a current faculty member of the University, appointed by the President of the UMW Alumni Association. In accordance with GASB Statements 39 and 61 addressed above, the financial position and results of its operations are not discretely presented in conjunction with the University's financial statements, as it is not considered fiscally significant for component unit disclosure. Summary information related to the UMW Alumni Association is presented in Note 18 of this report.

Complete financial statements for the UMW Foundation and the UMW Alumni Association can be obtained from the respective entity, 1125 Jefferson Davis Hwy; Suite 200; Fredericksburg, Virginia 22401.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

The UMW Foundation is a private non-profit organization that does not report under the guidelines of the GASB, instead following the guidance of the Financial Accounting Standards Board (FASB), including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Information as to the significant accounting policies of the UMW Foundation can be obtained from its audited financial statements.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented 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 an obligation has been incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash Equivalents

For purposes of the statements of net position and cash flows, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value. All investment income, including changes in the fair market value of investments (unrealized gains and losses), is reported as non-operating revenue in the *Statement of Revenues, Expenses, and Changes in Net Position*.

GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. GASB Statement 72 also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

Accounts Receivable

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

Prepaid Expenses

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

Inventories

Inventories are stated at the lower of cost (generally determined on the first in first out method) or market. Inventories consist primarily of merchandise for resale in the University's Bookstore, the James Monroe Law Office Museum and Memorial Library, and the Gari Melchers Memorial, as well as expendable supplies held for consumption in the University's Central Storeroom.

Noncurrent Cash and Investments

Noncurrent cash and investments are externally restricted for the Federal Department of Education Perkins Loan program and for the construction of capital or other non-current assets.

Capital Assets

Capital assets consisting of land, buildings and other improvements, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress is capitalized at actual cost as expenses are incurred. Library materials are valued using average prices for library acquisitions. All gifts of capital assets are recorded at acquisition value as of the date of donation.

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose.

Equipment is capitalized when the unit acquisition cost is $5,000 or greater and the estimated useful life is two years or more. Computer software developed or obtained for internal use is capitalized when the unit acquisition cost is $5,000 or more and the estimated useful life is two years or more. Building renovation costs and infrastructure costs are capitalized when expenses total more than $5,000, the asset value significantly increases, or the useful life is significantly extended. Donated assets with an acquisition value at the date of the donation of $5,000 or more are capitalized. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities. Depreciation is computed using the straight-line method over the useful life of the asset. The useful life for buildings is 50 years. For improvements other than buildings useful life is 5-30 years, for infrastructure 5-50 years, for equipment 5-15 years, for intangible assets – computer software 3-5 years, and for library materials 10 years.

Collections

The Gari Melchers Memorial maintains a collection of paintings, drawings, and etchings by Gari Melchers. A smaller collection of art works by other artists is also maintained. This collection was appraised in 1989 for approximately $3,550,000. The James Monroe Law Office Museum and Memorial Library also maintains a collection of jewelry, furniture, documents, books, antiques, and portraits. This collection was appraised in 2009 for approximately $3,100,000.

In addition, the University Gallery maintains collections of paintings and drawings by several artists including Alfred Levitt, Phyllis Ridderhof Martin, and Margaret Sutton. All collections have been donated to the University, but have not been appraised and total market value of the entire collection is unknown.

The items held in all three collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection. Since these conditions exist and historical cost data for the collections are not available, in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

Unearned Revenues

Unearned revenue represents revenue collected but not earned as of June 30. This amount includes amounts received for tuition and fees and certain auxiliary activities (resident housing deposits) related to the period after June 30.

Noncurrent Liabilities

Noncurrent liabilities include the principal amounts of bonds payable, notes payable, installment purchase obligations, and capital leases with maturities greater than one year and estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Debt payable is reported net of related discounts and premiums, which are expensed over the life of the debt. Debt issuance costs are recognized as an expense in the period incurred.

Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for granting a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. The University's liability and expense for the amount of leave earned by employees but not taken, as of June 30, 2019, is recorded in the *Statement of Net Position*, and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Pensions

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

Other Postemployment Benefits

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Virginia Retirement System (VRS) Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Federal Financial Assistance Programs

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

Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net position applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets. Deferred inflows of resources are defined as the acquisition of net position applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Net Position

The University's net position is made up of the following:

- **Net Investment in Capital Assets** – Net Investment in Capital Assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets.
- **Restricted Expendable Net Position** – Restricted Expendable Net Position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Restricted Nonexpendable Net Position** – Restricted Nonexpendable Net Position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, to be expended or added to the principal.
- **Unrestricted Net Position** – Unrestricted Net Position represents resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and

auxiliary enterprises. These resources are used for transactions relating to the educational departments and the general operations of the University, and may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to evaluate these expenditures and apply resources on a case by case basis.

Income Taxes

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

Classifications of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) most federal, state, local, and nongovernmental grants and contracts and federal appropriations.
- **Non-operating revenues** – Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* are included in this category.
- **Operating expenses** – Operating expenses include those expenses necessary for the operation of the University including those for wages and fringes, services and supplies, and operation of plant including utilities as well as any expense not classified as non-operating.
- **Non-operating expenses** – Non-operating expenses are those expenses incurred for interest on debt related to the purchase of capital assets and the losses on the disposal of capital assets.

Scholarship Discounts and Allowances

Student tuition and fees and certain auxiliary revenues 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.

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

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Certain risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures* which is an amendment of GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. With respect to deposit risks, there are custodial credit risk and foreign currency risk. With respect to investments, there are credit risks (both custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. These risks are defined as:

- **Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk. The University does not have a policy limiting the ratings type of investment choices.
- **Custodial credit risk** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the

possession of the institution. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University does not have any funds subject to custodial credit risk.

- **Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB Statement 40 requires disclosure of any issuer with more than five percent of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from disclosure. The University does not have a policy limiting the amount that can be invested in any one issuer.
- **Interest rate risk** – Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for investments subject to interest rate risk. The University does not have a policy limiting investment maturities as a means of managing interest rate risk.
- **Foreign currency risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University does not have a policy limiting foreign investments. The University does not have any investments subject to foreign currency risk.

Cash and Cash Equivalents

Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*. Cash and cash equivalents represent cash with the treasurer of the Commonwealth, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP complies with all standards of GASB Statement 79. SNAP investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value.

Pursuant to Section 2.2-1800 et seq. Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Local cash deposits held by the University are maintained in accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the *Virginia Security for Public Deposits Act*, Section 2.2-4400, et. seq. Code of Virginia.

Investments

Authorized investments are set forth in the *Investment of Public Funds Act*, Sections 2.2-4500 through 2.2-4516 et seq., Code of Virginia.

GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. None of the University's fiscal year 2019 investments are subject to fair value measurement.

Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year. A categorization of the University's cash, cash equivalents, and investments are presented in the table on the following page.

Cash and Cash Equivalents	Value As of June 30, 2019	Credit Rating	Investment Maturity
Cash with the Treasurer	(589,086)		
Deposits with financial institutions	3,292,326		
Money market deposits with financial institutions	10,368,187	Moody's Aa1	< 3 months
State Non-Arbitrage Program (SNAP)	26,119,739	S&P AAAm	
Total cash and cash equivalents	39,191,166		

4. RECEIVABLES

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

Accounts Receivable	
Student tuition and fees	$1,919,740
Auxiliary enterprises	705,192
VCBA Series 2010A/B Interest Subsidy	494,379
Other activities	39,068
Total accounts receivable before allowance for doubtful accounts	3,158,379
Less allowance for doubtful accounts	(1,499,754)
Total accounts receivable after allowance for doubtful accounts	**$1,658,625**
Notes Receivable	
Perkins loans	$736,802
Total notes receivable before allowance for doubtful accounts	736,802
Less allowance for doubtful accounts	(136,035)
Total accounts receivable after allowance for doubtful accounts	**$600,767**
Total receivables after allowance for doubtful accounts	**$2,259,392**

5. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2019, funding has been provided to the University from two programs: 21st Century program and the Equipment Trust Fund, both managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities. In addition, the University received funds from the State General Fund for capital projects.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2019, in "Capital appropriations" line item for equipment and facilities obtained with funding under these three programs.

Capital Appropriations	
VCBA Equipment Trust Fund program	655,746
VCBA 21st Century program	21,005,403
Total capital appropriations	**$21,661,149**

The line item, "Due from Commonwealth, restricted," on the Statement of Net Position for the year ended June 30, 2019, represents pending reimbursements from the following programs:

Due from the Commonwealth, restricted	
VCBA 21st Century program	$2,403,705
Total Due from the Commonwealth, Restricted	**$ 2,403,705**

6. CAPITAL ASSETS

A summary of changes in capital asset categories for the year ended June 30, 2019, is presented as follows:	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	$5,039,599			$5,039,599
Construction in progress	18,021,945	34,992,185	(3,676,178)	49,337,952
Total non-depreciable capital assets	**$23,061,544**	**$34,992,185**	**$(3,676,178)**	**$54,377,551**
Depreciable capital assets:				
Buildings	358,732,216	2,960,937		361,693,153
Equipment	21,015,688	1,090,356	(542,050)	21,563,994
Intangible Assets	3,986,808			3,986,808
Infrastructure	35,963,288			35,963,288
Improvements other than buildings	12,244,437	546,037		12,790,474
Library books	11,578,791	101,977	(39,727)	11,641,041
Total depreciable capital assets at historical	**$443,521,228**	**$4,699,307**	**$(581,777)**	**$447,638,758**
Less accumulated depreciation for:				
Buildings	82,492,697	6,634,638		89,127,335
Equipment	16,142,303	1,449,743	(520,602)	17,071,444
Intangible Assets	3,793,629	63,833		3,857,462
Infrastructure	29,753,944	683,027		30,436,971
Improvements other than buildings	4,720,434	349,516		5,069,950
Library books	10,672,910	187,278	(39,727)	10,820,461
Total accumulated depreciation	**$147,575,917**	**$9,368,035**	**$(560,329)**	**$156,383,623**
Depreciable capital assets, net of depreciation	**$295,945,311**	**$(4,668,728)**	**$(21,448)**	**$291,255,135**
Total capital assets, net of depreciation	**$319,006,855**	**$30,323,457**	**$(3,697,626)**	**$345,632,686**

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payable and accrued expenses	
Accounts payable	$ 6,301,388
Accrued salaries and wages payable	7,344,208
Accrued interest on capital debt	2,062,991
Retainage payable	1,470,538
Total accounts payable and accrued expenses	**$17,179,125**

8. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 9), accrued compensated absences, VRS pension liability (further described in Note 13), other post-employment benefits liability (further described in Note 14) and the federal Perkins Loan program contribution refundable. A summary of changes in the long-term liabilities for the year ending June 30, 2019 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	$ 2,808,524		$ (453,655)	$ 2,354,869	$ 463,498
Notes payable	145,128,243	10,395,794	(4,249,683)	151,274,354	5,226,727
Installment purchases	438,306		(289,078)	149,228	149,228
Total long-term debt	148,375,073	10,395,794	(4,992,416)	153,778,451	5,839,453
VRS Pensions Liability *	34,745,000		(3,286,000)	31,459,000	
Other Post Employment Benefit Liability *	19,284,341		(1,720,669)	17,563,672	325,085
Federal loan program contributions	539,431			539,431	
Accrued compensated absences	1,469,518	1,146,668	(1,073,546)	1,542,640	1,206,538
Total other non-current liabilities	56,038,290	1,146,668	(6,080,215)	51,104,743	1,531,623
Total non-current liabilities	**$204,413,363**	**$11,542,462**	**$(11,072,631)**	**$204,883,363**	**$7,371,076**

**Reductions reflect net decrease*

9. LONG-TERM INDEBTEDNESS

Bonds Payable

The University has issued bonds pursuant to section 9(c) of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. A summary of all bonds payable as of June 30, 2019 is presented as follows:

	Interest Rates	Fiscal Year Maturity	Outstanding Balance
Residence Halls			
Series 2009C, issued $152,541- partial refunding series 2001A	4.0%	2021	$ 147,352
Series 2014B, issued $656,449 – partial refunding series 2004B	5.0%	2020	123,882
Dining Halls			
Series 2009D, issued $1,625,000 – partial refunding series 2005A	5.0%	2022	870,000
Series 2012A, issued $ 654,765 – partial refunding series 2005A	5.0%	2024	654,765
Series 2013B, issued $ 565,091 – partial refunding series 2005A	5.0%	2025	344,328
Unamortized premium/(discount)			214,542
Total Bonds Payable			**$2,354,869**

Notes Payable

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University. The notes are secured by the pledged general revenues of the University.

In December 2018, the Commonwealth of Virginia issued $9,405,000 in Educational Facilities Revenue Refunding Bonds, Series 2018A, on behalf of the University. The note has a premium of $990,794, and interest rates range from 3.120% to 5.0%. The funds will be used for residence hall renovation projects.

A summary of all notes payable as of June 30, 2019 is presented below:

	Interest Rates	Fiscal Year Maturity	Outstanding Balance
Tennis Court Replacement			
Series 2014B, issued $335,000 – refunding series 2004	5.00%	2020	$ 70,000
Fitness Center			
Series 2007B, issued $1,030,000 – partial refunding series 2000A	4.00% - 4.50%	2020	345,000
Series 2010B, issued $545,000 – partial refunding series 2000A	5.00%	2021	340,000
Indoor Tennis Facility			
Series 2007B, issued $860,000 – partial refunding series 2002A	4.00% - 4.50%	2020	150,000
Series 2010B, issued $630,000 – partial refunding series 2002A	5.00%	2023	515,000
Parking Deck			
Series 2012A, issued $3,575,000 – partial refunding series 2004	2.75% - 5.00%	2026	2,480,000
Athletic Field Replacement (Goolrick)			
Series 2014B, issued $ 435,000 – partial refunding series 2007	4.00% - 5.00%	2026	385,000
Series 2016A, issued $ 840,000 – partial refunding series 2007	3.00% - 5.00%	2038	840,000
Residence Halls			
Series 2010A/B, issued $36,765,000	3.75% - 5.60%	2041	31,035,000
Series 2014B, issued $1,100,000 – partial refunding series 2007	4.00% - 5.00%	2026	985,000
Series 2016A, issued $2,210,000 – partial refunding series 2007	3.00% - 5.00%	2038	2,210,000
Series 2017A, issued $23,795,000	2.125% - 5.00%	2038	23,795,000
Series 2018A, issued $9,405,000	3.120% - 5.00%	2039	9,405,000
Convocation Center (Anderson)			
Series 2009B, issued $18,795,000	5.00%	2020	450,000
Series 2016A, issued $13,215,000 – partial refunding series 2009	3.00% - 5.00%	2040	13,215,000
Athletic Complex Renovations (Battleground)			
Series 2010A/B, issued $2,530,000	3.75% - 5.60%	2041	2,095,000
Series 2015A, issued $2,370,000	3.00% - 5.00%	2036	2,135,000
University Center			
Series 2012B, issued $27,955,000	3.00% - 5.00%	2043	25,120,000
Series 2013A, issued $18,835,000	2.00% - 5.00%	2044	17,315,000
Series 2014A, issued $ 8,870,000	5.00%	2045	8,435,000
Series 2015A, issued $ 1,125,000	3.00% - 5.00%	2036	1,015,000
Unamortized premium/(discount)			8,939,354
Total Notes Payable			**$ 151,274,354**

Installment Purchases

The University entered into an installment purchase contract to finance the acquisition of energy savings infrastructure and equipment. The purchase agreement continues until fiscal year 2020 with an interest rate of 4.31%. Principal balance as of June 30, 2019 is $149,228.

Defeasance of Debt

In prior years, the University and the Commonwealth of Virginia, on behalf of the University, issued bonds and the proceeds of the refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered to be defeased. The trust's assets and the liabilities associated with these defeased bonds are not included in the University's financial statements.

At June 30, 2019, $15,450,000 of the bonds considered defeased remains outstanding.

Annual Debt Service Requirements

A summary of the University's future principal commitments and future interest commitments is presented below:

	Section 9(c) Bonds	Notes Payable	Installment Purchases	Total Long-Term Debt
Future Principal commitments:				
2020	400,052	4,725,000	149,228	5,274,280
2021	436,183	5,155,000		5,591,183
2022	305,000	5,015,000		5,320,000
2023	319,978	5,260,000		5,579,978
2024	334,787	5,310,000		5,644,787
2025 – 2029	344,327	28,725,000		29,069,327
2030 – 2034		33,105,000		33,105,000
2035 – 2039		36,380,000		36,380,000
2040 – 2044		18,095,000		18,095,000
2045		565,000		565,000
Unamortized premium/(discount)	214,542	8,939,354		9,153,896
Total future principal requirements	**$ 2,354,869**	**$ 151,274,354**	**$ 149,228**	**$ 153,778,451**
Future Interest commitments:				
2020	100,556	6,000,801	3,216	6,104,573
2021	80,565	5,778,658		5,859,223
2022	60,218	5,538,729		5,598,947
2023	45,311	5,290,239		5,335,550
2024	29,312	5,032,310		5,061,622
2025 – 2029	13,773	21,476,603		21,490,376
2030 – 2034		14,947,255		14,947,255
2035 – 2039		7,701,176		7,701,176
2040 – 2044		1,662,038		1,662,038
2045		14,125		14,125
Total future interest requirements	**$329,735**	**$73,441,934**	**$3,216**	**$73,774,885**

10. EXPENSES BY NATURAL CLASSIFICATION

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

	Salaries and Wages	Fringe Benefits	Services and Supplies	Utilities	Plant and Equipment	Depreciation	Total
Instruction	$23,641,977	$5,488,389	$1,511,825	$1,311	$62,022		$30,705,524
Research	140,867	23,083	142,375		683		307,008
Public service	259,278	80,422	215,753		432		555,885
Academic support	4,816,678	942,535	1,667,529		749,983		8,176,725
Student services	4,332,905	990,389	2,351,126	(5,399)	172,993		7,842,014
Institutional support	4,950,873	2,110,016	3,048,817	(4,021)	(120,461)		9,985,224
Plant – operation & maintenance	1,612,598	1,014,587	3,035,153	1,973,020	84,425		7,719,783
Depreciation						9,368,035	9,368,035
Student aid	559,684	32,524	277,777		3,149		873,134
Operation of higher ed centers	394,380	63,914	769,635	70,374	11,269		1,309,572
Museum & cultural services	500,963	78,127	74,931	39,602	598		694,221
Historic attraction management	237,444	46,149	26,700	7,049	3,275		320,617
Auxiliary activities	7,923,326	1,838,564	18,739,529	1,204,853	123,739		29,830,011
Total Expenses	$49,370,973	$12,708,699	$31,861,150	$3,286,789	$1,092,107	$9,368,035	$107,687,753

11. 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 the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for re-appropriations in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

The following is a summary of state appropriations received by the University including all supplemental appropriations and reversions:

State Appropriations	
Original legislative appropriation per Chapter 2	
Educational and general programs	$26,907,725
Student financial assistance	3,414,676
Museum and cultural services	481,118
Historic attraction management	273,947
Operation of Higher Education Centers	1,250,000
Supplemental adjustments:	
Employee retirement contribution rate change	6,673
Employee health insurance	225,889
Employee group life, sickness and disability	(4,945)
Workers' Compensation Premium Adjustment	14,095
Interest and Credit Card Rebate	91,382
Cardinal and Personnel Management Information System internal service fund	(3,741)
Virtual Library of Virginia (VIVA) allocation	11,097

State Appropriations	
Virginia DOE special education teacher support and pathways to excellence	80,826
Va. Military Survivors & Dependent Education Program	48,750
Two-year college transfer grant	27,000
Virginia Information Technology Agency (VITA)	11,744
Line of Duty Act Premiums	2,888
Performance Budgeting and Personnel Management System changes	349
Equipment Trust Fund debt transfer	(97,063)
Capital fee for out-of-state students	(222,750)
Reversion	(38,843)
State appropriation revenue, adjusted	**$32,480,817**

12. COMMITMENTS

Capital Improvement Commitments

The amounts listed in the following table represent the value of obligations remaining on capital improvement project contracts. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the University's financial statements. Outstanding contractual commitments for capital improvement projects as of June 30, 2019 include:

Capital commitments by project	
Willard Hall renovation	$8,749,073
Jepson Science Center addition and renovation	4,579,476
Seacobeck Hall renovation	1,673,061
Residence halls renovation	1,601,701
Maintenance reserve	403,737
Repair/replace utilities	242,772
Amphitheatre	18,983
Other	194,537
Total capital commitments	**$17,463,340**

In addition, $1,470,538 was held by the University as retainage on ongoing projects for which work had been performed. The retainage will be remitted to the contractors upon satisfactory completion of the project.

Lease Commitments

The University has entered into several agreements to lease office space, storage space, and equipment. The University is committed to an operating lease for office space for the Warsaw office of the Rappahannock Small Business Development Center run by the University. The lease was for a three-year term beginning July 2010 and was extended through June 2022. Rental expense was $5,253 for the year ended June 30, 2019.

The University is committed to an operating lease for storage space off-campus. It was a five-year lease beginning January 2012 and has been extended thru December 2021. Rental expense was $17,089 for the year ended June 30, 2019.

The University leases equipment for the Fitness Center. The lease was a four-year lease beginning August 2011 and has been extended thru August 2019. Rental expense was $80,583 for the fiscal year ended June 30, 2019.

Additionally, the University is committed to eight leases with the UMW Foundation and its subsidiaries. The first lease is for storage space off-campus. The lease is for a five-year term beginning in April 2016. The University is committed to two leases for office

space in Eagle Village. One lease is for a five-year term beginning December 2015, and the second is for a five-year term beginning December 2011 and has been extended thru December 2021. The University also leases two houses in the immediate area of the University. Both are for five-year terms with one of the leases beginning in July 2015 and the other beginning May 2016. The University entered into a Deed of Parking lease agreement with the UMW Foundation. The lease has a five- year term ending February 2020. In November 2013, the University began leasing property near the main campus that is being used for office and classroom space. The lease has a five-year term and has been extended through August 2028. In September 2014, the University entered into a five-year lease for a house near the Stafford Campus. Rental expense on all of these leases was $719,818 for the year ended June 30, 2019.

The University entered into an agreement with Enterprise Fleet Management for 19 vehicles. The lease term is 5 years and expires in March 2022. Expenses for the year ended June 30, 2019 totaled $100,658

The University has, as of June 30, 2019, the following future minimum rental payments due under the above leases:

Future minimum operating lease payments	
Year ending June 30, 2020	$ 787,353
Year ending June 30, 2021	662,059
Year ending June 30, 2022	318,582
Year ending June 30, 2023	77,685
Year ending June 30, 2024	77,685
Year ending June 30, 2025 - 2028	310,739
Total	**$2,234,103**

Other Contract Commitments

The University has significant commitments to various vendors under non-capital and non-lease contracts. University contracts contain binding language only to the extent of the funds available. The table below identifies significant contract commitments as of June 30, 2019.

VENDOR	CONTRACT TITLE	CURRENT CONTRACT TERM END	ESTIMATED ANNUAL BUDGET	ESTIMATED BUDGET REMAINING THROUGH CONTRACT TERM END
Sodexo	Dining Services	07/31/2020	6,897,549	7,606,464
The Supply Room Companies	Office Supplies	08/07/2024	410,096	2,124,526
Swiss Post Services	Copy, Mail and Print Services	07/02/2022	528,000	1,610,400
Apogee	Residential Network Services	12/31/2020	886,308	1,354,081
Professional Building Maintenance	Campus-Wide Janitorial	08/07/2020	960,000	1,077,333
Ellucian	Ellucian Systems Maintenance	06/30/2023	250,000	1,014,583
Rockwood Homes	Miscellaneous Building Alterations & Remodeling	06/30/2020	931,312	946,834
Laughlin Marinaccio and Owens	Media Plan	03/31/2023	210,000	799,168
Ellucian	Banner Enterprise System	06/30/2022	166,445	506,733
MR Resources	Instruments Quantum Spectrometer	10/15/2020	297,979	391,511
Total Other Contract Commitments				**$17,431,633**

Virginia Retirement System

All full-time, salaried permanent employees of state agencies are automatically covered by the Virginia Retirement System (VRS) State Employee Retirement Plan or the Virginia Law Officers' System (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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are shown in the following table.

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

		gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law 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	**Retirement Contributions** Same as Plan 1.	**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

employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **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.		**Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

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** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	**Earliest Unreduced Retirement Eligibility**	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:**

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.	**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.	**VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional 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,	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act 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.	**Exceptions to COLA Effective Dates:** Same as Plan 1	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.
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.	**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.	**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

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2019 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.88% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $2,905,221 and $2,974,008 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from the University to the VaLORS Retirement Plan were $193,765 and $190,716 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the University reported a liability of $29,775 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,684,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, UMW's proportion of the VRS State Employee Retirement Plan was 0.54999% as compared to 0.57000% at June 30, 2017. At June 30, 2018, the University's proportion of the VaLORS Retirement Plan was 0.27035% as compared to 0.23283% at June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of ($80,000) for the VRS State Employee Retirement Plan and $284,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VRS Deferred Outflows of Resources	VRS Deferred Inflows of Resources	VaLORS Deferred Outflows of Resources	VaLORS Deferred Inflows of Resources
Differences between expected and actual experience	$0	$ 1,799,000	$ 1,000	$ 47,000
Changes in assumptions	199,000	0	0	59,000
Net difference between projected and actual earnings on pension plan investments	0	778,000	0	28,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	0	1,789,000	269,000	0
Employer contributions subsequent to the measurement date	2,905,221	0	193,765	0
Total	**$3,104,221**	**$4,366,000**	**$463,765**	**$134,000**

$3,098,986 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending	VRS Amount	VaLORS Amount
June 30, 2020	$ (1,329,000)	$ 115,000
June 30, 2021	(1,151,000)	59,000
June 30, 2022	(1,604,000)	(36,000)
June 30, 2023	(83,000)	(2,000)
June 30, 2024	0	0
Total	$ (4,167,000)	$ 136,000

Actuarial Assumptions

Total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

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

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.0%	4.54%	1.82%
Fixed income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%
Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
*Expected arithmetic nominal return			7.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. 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 University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$45,080,000	$29,775,000	$16,891,000
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	2,391,000	1,684,000	1,100,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the

accrued benefits payable calculation can be attributed to VRS and VaLORS. As of June 30, 2019, the University's VRS and VaLORS payables were $134,221 and $11,616 respectively. These amounts are included in Accounts Payable on the Statement of Net Position.

Optional Retirement Plans

Full-time faculty and certain administrative staff can participate in a defined contribution plan administered by two different providers other than the VRS. The two different providers are TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services Company. For employees who became members of this plan prior to July 1, 2010, this plan is a defined contribution program where the retirement benefits received are based upon the employer's contribution (10.4%), plus interest and dividends. For employees who became members of this plan after July 1, 2010, this plan is a defined contribution program where the retirement benefits received are based upon the employer's contribution (8.5%), plus the employee's contribution (5.0%), plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total employer pension costs under this plan were $2,024,959 for fiscal year 2019. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $20,813,138for the fiscal year.

Deferred Compensation Plan

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was $181,157for fiscal year 2019.

14. POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB)

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

Health Insurance Credit Program

Plan Description

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

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, State Police Officer Retirement System (SPORS), VaLORS and Judicial Retirement System (JRS) who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For State employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. • **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2019 was 1.17% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were $520,266 and $525,689 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the University reported a liability of $6,045,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2018 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The state University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion of the VRS State Employee Health Insurance Credit Program for general

employees was 0.64873% as compared to 0.64607% at June 30, 2017. At June 30, 2018, the University's proportion of the VRS State Employee Health Insurance Credit Program for VALORS employees was 0.01387% as compared to 0.01241% at June 30, 2017.

For the year ended June 30, 2019, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of $505,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	HIC Deferred Outflows of Resources	HIC Deferred Inflows of Resources
Differences between expected and actual experience	$4,000	0
Changes in assumptions		55,000
Net difference between projected and actual earnings on HIC plan investments		10,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	40,000	80,000
Employer contributions subsequent to the measurement date	520,266	
Total	**$564,266**	**$145,000**

$520,266 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

For the year ending	Amount
June 30, 2020	$ (26,000)
June 30, 2021	(26,000)
June 30, 2022	(26,000)
June 30, 2023	(23,000)
June 30, 2024	-
Thereafter	-

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
-JRS employees	4.5%
Investment rate of return	7.0% , net of 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates General state employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

Mortality rates SPORS employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Mortality rates VALORS employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Mortality rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.
Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used for general state employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for SPORS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

The actuarial assumptions used for JRS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	State Employee OPEB HIC Plan
Total OPEB HIC Liability	$1,008,184
Plan Fiduciary Net Position	95,908
State Employee net HIC OPEB Liability	**912,276**
Plan Fiduciary Net Position as a Percentage of the Total OPEB HIC Liability	9.51%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.0%	4.54%	1.82%
Fixed income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%
Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
*Expected arithmetic nominal return			7.30%

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

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the Health Insurance Credit Program Net OPEB Liability	$6,685,000	$6,045,000	$5,494,000

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the State Employee Health Insurance Credit Program OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the HIC Program OPEB Plan. As of June 30, 2019, the University's HIC Program payables were $16,661. These amounts are included in Accounts Payable on the Statement of Net Position.

Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts
The benefits payable under the Group Life Insurance Program have several components.
• **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
• **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
• **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  ○ Accidental dismemberment benefit
  ○ Safety belt benefit
  ○ Repatriation benefit
  ○ Felonious assault benefit
  ○ Accelerated death benefit option

Reduction in benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any

unfunded accrued liability. Contribution to the Group Life Insurance Program from the University were $233,267 and $232,183 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the University reported a liability of $3,555,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion for general state employees was 0.22916% as compared to 0.22641% at June 30, 2017. At June 30, 2018, the University's proportion for VALORS employees was 0.00491% as compared to 0.00435% at June 30, 2017.

For the year ended June 30, 2019, the University recognized GLI OPEB expense of $21,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	GLI Deferred Outflows of Resources	GLI Deferred Inflows of Resources
Differences between expected and actual experience	$174,000	$ 65,000
Changes in assumptions		148,000
Net difference between projected and actual earnings on GLI OPEB plan investments		115,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	53,000	55,000
Employer contributions subsequent to the measurement date	233,267	
Total	**$460,267**	**$383,000**

$233,267 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2020	$ (56,000)
June 30, 2021	(56,000)
June 30, 2022	(56,000)
June 30, 2023	(23,000)
June 30, 2024	18,000
Thereafter	17,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
-JRS employees	4.5%
-Teachers	3.5% - 5.95%
-Locality – General employees	3.5% – 5.35%
-Locality – Hazardous Duty employees	3.5% - 4.75%
Investment rate of return	7.0% , net of 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 the OPEB liabilities.

Mortality rates General state employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Mortality rates – JRS Employees
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.
Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

Mortality rates – Teachers
Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females

Mortality rates – Largest Ten Locality Employers - General Employees
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

Mortality rates – Non-Largest Ten Locality Employers - General Employees
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used for general state employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for SPORS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for VALORS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for teachers in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for JRS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for general employees of the largest ten locality employers in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for general employees of the non-largest ten locality employers in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for hazardous duty employees of the largest ten locality employers in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for hazardous duty employees of the non-largest ten locality employers in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of Measurement Date of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	State Employee OPEB GLI Plan
Total OPEB GLI Liability	$3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net OPEB GLI Liability	**$1,518,735**
Plan Fiduciary Net Position as a Percentage of the Total OPEB GLI Liability	51.22%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.0%	4.54%	1.82%
Fixed income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%

Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
*Expected arithmetic nominal return			7.30%

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the University for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the Group Life Insurance Program Net OPEB Liability	$4,646,000	$3,555,000	$2,669,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the GLI Program OPEB Plan. As of June 30, 2019, the University's GLI Program payables were $18,676. These amounts are included in Accounts Payable on the Statement of Net Position.

Virginia Sickness and Disability Program

Plan Description

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

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
Eligible Employees The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and ValORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
Benefit Amounts The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees: • **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer. • **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan. • **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.
Disability Insurance Program (VSDP) Plan Notes: • Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.

- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

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

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2019 was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were $109,224 and $114,151 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the University reported a liability (asset) of $(1,016,000) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2018 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of that date. The University's proportion of the Net VSDP OPEB Liability (Asset) was based on the University's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion for general state employees was 0.42735% as compared to 0.43139% at June 30, 2017. At June 30, 2018, the University's proportion for VALORS employees was 0.02369% as compared to 0.02126% at June 30, 2017.

For the year ended June 30, 2019, the University recognized VSDP OPEB expense of $56,000. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	VSDP Deferred Outflows of Resources	VSDP Deferred Inflows of Resources
Differences between expected and actual experience		$43,000
Changes in assumptions		60,000
Net difference between projected and actual earnings on VSDP OPEB plan investments		60,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	15,000	3,000
Employer contributions subsequent to the measurement date	109,224	
Total	**$ 124,224**	**$166,000**

$109,224 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2020	$ (35,000)
June 30, 2021	(35,000)
June 30, 2022	(35,000)
June 30, 2023	(15,000)
June 30, 2024	(15,000)
Thereafter	(16,000)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
Investment rate of return	7.0% , net of OPEB plan investment expense, including inflation*

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

Mortality rates General state employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used for general state employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

The actuarial assumptions used for VALORS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2018, NOA amounts for the Disability Insurance Program (VSDP) is as follows (amounts expressed in thousands):

	State Employee OPEB VSDP Plan
Total OPEB VSDP Liability	$ 237,733
Plan Fiduciary Net Position	462,961
Employers' Net OPEB VSDP Liability (Asset)	**$ (225,228)**
Plan Fiduciary Net Position as a Percentage of the Total OPEB VSDP Liability	194.74%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.0%	4.54%	1.82%
Fixed income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%
Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
*Expected arithmetic nominal return			7.30%

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

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the Virginia Sickness and Disability Program Net OPEB Liability	$ (979,000)	$ (1,016,000)	$ (1,047,000)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Disability Insurance Program (VSDP) OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the VSDP Program OPEB Plan. As of June 30, 2019, the University's VSDP Program payables were $5,500. These amounts are included in Accounts Payable on the Statement of Net Position.

Line of Duty Act Program

Plan Description

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

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

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

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

Contributions
The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2019 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were $12,704 and $10,213 for the years ended June 30, 2019 and June 30, 2018, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB
At June 30, 2019, the University reported a liability of $300,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the University's proportion was 0.09588% as compared to 0.07365% at June 30, 2017.

For the year ended June 30, 2019, the University recognized LODA OPEB expense of $32,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	LODA Deferred Outflows of Resources	LODA Deferred Inflows of Resources
Differences between expected and actual experience	$43,000	($1,000)
Changes in assumptions		35,000
Net difference between projected and actual earnings on LODA OPEB plan investments		1,000
Changes in proportion	56,000	
Employer contributions subsequent to the measurement date	12,704	
Total	**$ 111,704**	**$ 35,000**

$12,704 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2020	$9,000
June 30, 2021	9,000
June 30, 2022	9,000
June 30, 2023	9,000
June 30, 2024	9,000
Thereafter	19,000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
-Locality employees	3.5% – 4.75%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89% , net of OPEB plan Investment expense, including inflation*
Medical Cost Trend Rate Assumptions	
Under age 65	7.75 percent – 5.00 percent
Age 65 and older	5.75 percent – 5.00 percent

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality rates General state employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

Mortality rates – SPORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Mortality rates VALORS employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

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

Mortality rates – Largest Ten Locality Employers With Public Safety Employees
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Mortality rates – Non-Largest Ten Locality Employers With Public Safety Employees
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used for general state employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for SPORS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for VALORS employees in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

The actuarial assumptions used for public safety employees of the non-largest ten locality employers in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Changes to the LODA Program Associated with HB1345 (2016) and HB 2243 (2017)
The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be monitored and factored into future actuarial valuations for the LODA Program if and when sufficient experience develops.

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

Net LODA OPEB Liability
The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2018, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	State Employee OPEB LODA Program
Total OPEB LODA Liability	$ 315,395
Plan Fiduciary Net Position	1,889
Employers' Net OPEB LODA Liability (Asset)	**$ 313,506**
Plan Fiduciary Net Position as a Percentage of the Total OPEB LODA Liability	0.60%

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

Long-Term Expected Rate of Return
The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate
The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate
The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	1.00% Decrease (2.89%)	Current Discount Rate (3.89%)	1.00% Increase (4.89%)
University's proportionate share of the Line of Duty Act Program Net OPEB Liability	$344,000	$300,000	$265,000

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

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

	1.00% Decrease (6.75% decreasing to 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
University's proportionate share of the Line of Duty Act Program Net OPEB Liability	$256,000	$300,000	$356,000

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Line of Duty Act Program (LODA) OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the VSDP Program OPEB Plan. As of June 30, 2019, the University did not have a balance payable for the LODA OPEB Plan.

Pre-Medicare Retiree Healthcare Plan

Plan Description

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare.

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

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

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

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

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,200 retirees and 91,800 active employees in the program in fiscal year 2018. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2018. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.21 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2018 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.19 years
Discount Rate	3.87%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 8.21% to 5.00% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2025

Mortality rates
Pre-Retirement:
RP-2014 Employee Rates projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males and females set back 1 year.
Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date, June 30, 2018.

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

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

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

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
At June 30, 2019, the employer reported a liability of $7,663,672 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $1.0 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2018, the University's proportion was 0.76207% as compared to 0.74096% at June 30, 2017. For the year ended June 30, 2019, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of $253,819.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		1,545,217
Changes in assumptions		3,065,102
Changes in proportion and differences between Employer contributions and proportionate share of contributions	540,574	
Amounts associated with transactions		
Amounts related to transactions subsequent to the measurement date	315,085	
Total	**$855,659**	**$4,610,319**

$ 315,085 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

For the year ending	Amount
June 30, 2020	$ (843,128)
June 30, 2021	(843,128)
June 30, 2022	(843,128)
June 30, 2023	(843,128)
June 30, 2024	(613,561)
Thereafter	(83,672)

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate
The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.87%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87) than the current rate:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	$8,199,916	$7,663,672	$7,153,752

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.21% decreasing to 5%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.21% decreasing to 4.0%) or one percentage point higher (9.21% decreasing to 6.0%) than the current rate:

	1.00% Decrease (7.21% decreasing to 4.00%)	Current Discount Rate (8.21% decreasing to 5.0%)	1.00% Increase (9.21% decreasing to 6.0%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	$6,835,503	$7,663,672	$8,637,136

15. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth 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, boiler and machinery, 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 in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

16. CONTINGENCIES

Grants and Contracts

The University has received federal grants for specific purposes that are subject to review and audit by grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the outlay of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2019, the University estimates that no material liabilities will result from such audits or questions.

Pending Litigation

In December 2018, a complaint previously dismissed by the US District Court for the Eastern District of Virginia was partially reversed by the Court of Appeals. Mediation and post-mediation negotiations resulted in an agreement in principle to settle the case in the amount of $437,500. The settlement obtained gubernatorial approval, and has been finalized.

No new claims have been filed.

17. RELATED PARTY TRANSACTIONS

The UMW Foundation provides financial support to the University. The UMW Foundation is a separate entity, whose financial position is presented along with the University as required by GASB Statement 39 *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Omnibus.*

Pursuant to the Series 2007 bonds of the Foundation, the University entered into a support and management agreement with the Foundation. Under the terms of this agreement, the University operates and manages the 1201 William Street project (2007 Project) as part of and on an equal basis with its own academic and administrative offices and is responsible for all aspects of the operation of the 2007 Project. On each January 15 and July 15, commencing July 15, 2008, the University transfers to the Foundation the amounts set forth in the 2007 Project budget for the succeeding six-month period of such fiscal year. The amount of the transfer includes, without limitation, the amount necessary for the Foundation to satisfy its payment and other obligations under the 2007 Project loan agreement and the Deed of Trust during such period. In addition, promptly upon the request of the Foundation, the University transfers to the Foundation any other amount requested by the Foundation necessary to pay any amount due and payable under the 2007 Project loan agreement or the Deed of Trust, including any additional payments as defined in the loan agreement. The amounts received are pledged as security for the Foundation's obligations under the 2007 Project loan agreement and the Deed of Trust. Amounts due to the Foundation under this agreement at June 30, 2019 were $96,872 and are included in "Due to Foundation" on the University's *Statement of Net Position*.

Pursuant to the 2008 and 2009 bonds of the Foundation and Eagle Housing, LLC, the University entered into a support and management agreement with the Foundation and Eagle Housing, LLC, a wholly-owned subsidiary of the Foundation. The support agreement requires preferential treatment in that the University must assign all of its students in need of housing first to the University Apartment Project and the Eagle Village I Project (Student Housing Projects), until at least 95% of the available units in the Student Housing Projects have been filled. The management agreement appoints the University as the property's facilities manager, and requires the University to establish annual operating and capital budgets that facilitate the Foundation's compliance with the financial covenants of the bond financing agreements. In addition, the agreement requires a Project Revenue Fund be established at the University to collect revenues and pay expenses of operating, maintaining, and insuring the facility. The net results of the Project Revenue Fund are to be transferred to the Foundation at its request. Amounts due from the Foundation under the Series

2008 and 2009 Bond agreement at June 30, 2019 were $159,202. This is included in "Due from Foundation" on the University's *Statement of Net Position*.

The support agreement remains in effect for as long as the 2008 and 2009 bonds are outstanding. The management agreement may be terminated by either party after June 30, 2015, with certain restrictions. A termination of the management agreement shall in no way terminate the support agreement or affect the University's obligations under the support agreement.

In December 2009, the Foundation obtained a non-interest bearing, promissory note from the University in the amount of $1,600,000 for the purpose of purchasing properties for the ultimate ownership and use by the University. Per the agreement, the University commits to purchase the properties from the Foundation and the Foundation commits to sell the properties to the University by the maturity date. In fiscal year 2015, the loan agreement was amended, extending the maturity date to January 2020. The purchase price will be the sum of purchase price paid plus costs and expenses to carry and maintain the properties during the term of ownership. At settlement, the loan will be repaid via a credit to the University against the purchase price equal to the outstanding principal balance of the loan. As of June 30, 2019, $1,440,550 has been advanced per the agreement and is included in "Due from Foundation" on the University's *Statement of Net Position*.

The University currently has eight operating leases with the Foundation and its related entities for parking, storage, and office space. These leases are further discussed in footnote 12 (Commitments).

18. AFFILIATED FOUNDATION

In accordance with GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement 61, *The Financial Reporting Omnibus*, the financial statements do not include the assets, liabilities, and net assets of the University of Mary Washington Alumni Association. The purpose of this organization is to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. This organization is a separately incorporated entity and the related financial statements are reviewed by other auditors.

The following condensed summary is based solely upon the report of another auditor at and for the year ended June 30, 2019.

University of Mary Washington Alumni Association	
Assets:	
Cash and investments	$ 75,826
Other assets	5,685
Total assets	$81,511
Liabilities and net assets:	
Due to UMW Foundation	$4,852
Net assets	76,659
Total liabilities and net assets	$81,511

The revenues and expenditures of the Alumni Association, determined as if in consolidation with the University, were $794,586 and $795,411 respectively, for the year ended June 30, 2019.

19. UMW FOUNDATION FOOTNOTE DISCLOSURES

Full and complete footnotes related to the UMW Foundation can be obtained from the Foundation's audited financial statements. Information as to the UMW Foundation's significant accounting policies, net assets restricted by donors, endowment funds, fair value measurements, and liquidity are not presented below and can only be obtained from the Foundation's audited financial statements.

Cash, Cash Equivalents, and Investments

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The Foundation places its temporary cash investments with high credit quality financial institutions.

The Foundation had cash and cash equivalents, including restricted deposits and funded reserves in a financial institution, in excess of the Federal Deposit Insurance Corporation limit at June 30, 2019. Investments are diversified and managed by several different managers. The Foundation monitors its investments and receivables to minimize credit risk.

The Foundation uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts are reported at fair value on the *Statement of Net Position* with the changes in the fair value included in the *Statement of Revenues, Expenses, and Changes in Net Position*. The Foundation's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to fixed rate.

The market value of investments held by various funds at June 30, 2019, is summarized below:

UMW Foundation Investments	Market Value As of June 30, 2019
Cash and money market funds	$ 437,998
U.S. Treasury securities	11,036,427
Corporate and government bonds	2,817,823
Equities	8,020,660
Mutual funds	16,249,133
Investments measured at net asset value per share	9,836,485
Total Investments	**$ 48,398,526**

Investment income net of fees, including realized and unrealized appreciation, was $2,674,765 for 2019.

The Foundation is the remainder beneficiary and trustee of thirty-one charitable gift annuities dated 1991 to 2018. These agreements provide fixed annual payments to the original donor or a designated beneficiary and are paid either monthly or quarterly. Total payments in 2019 were $96,492.

The contribution portion of an agreement is recognized as revenue when the Foundation has the unconditional right to receive benefits under the agreement and is measured at the expected future payments to be received. Any assets received under a trust agreement are recorded at fair value. Payment streams are valued at the present value of the expected future obligations factoring in the applicable discount rate and actuarial mortality tables and are recorded as liabilities to third-party beneficiaries. Fixed payout percentages range from 5% to 10%. During the term of the agreement, any changes in actuarial assumptions are recognized as "change in value of split-interest agreements" in the consolidated statements of activities.

Contributions and Loans Receivable

In order to simplify its accounting process for pledges receivable, the Foundation has elected to record all contributions receivable at fair value. The fair value adjustment for 2019 was $36,109. No changes in the fair value measurement were attributable to instrument specific credit risk. UMW Foundation had unconditional contributions receivable consisting of the following at June 30, 2019:

Pledges Receivable	
Pledges due within one year	$470,224
Pledges due in two to five years	460,499
Total receivables before discount	930,723
Less: discounts to net present value (using a discount rate of 5%)	(36,109)
Pledges receivable – net	**$894,614**

The Foundation has a loan receivable of $75,000 due from a former key employee of the University. No payments were received in 2019. The stated interest rate of 5% per annum has been forgiven by the Foundation.

On September 1, 2010, the Foundation entered into an agreement to loan $150,000 to a lessee for build out costs. Payments are due in monthly installments of $2,831, including interest at 5.0%. The loan matured August 2016. No payments were received in 2018. The remaining unpaid principal of $89,563 is included in the Foundation's receivables as of June 30, 2019.

Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	$36,255,912			$36,255,912
Total non-depreciable capital assets	**$36,255,912**			**$36,255,912**
Depreciable capital assets:				
Buildings	104,226,128			104,226,128
Equipment	4,765,153	47,660		4,812,813
Infrastructure	1,598,416	4,491		1,602,907
Improvements other than buildings	7,508,668	338,861		7,847,529
Total depreciable capital assets at historical cost	118,098,365	391,012		118,489,377
Less accumulated depreciation for:				
Buildings	20,187,542	2,359,196		22,546,738
Equipment	2,913,790	573,541		3,487,331
Infrastructure	638,263	117,815		756,078
Improvements other than buildings	4,851,866	439,735		5,291,601
Total accumulated depreciation	28,591,461	3,490,287		32,081,748
Depreciable capital assets, net of depreciation	**89,506,904**	**(3,099,275)**		**86,407,629**
Total capital assets, net of depreciation	**$125,762,816**	**$ (3,099,275)**		**$122,663,541**

The Foundation owns two parcels of real estate that were donated with restricted deeds. While both deeds restrict the use of the parcels of land by requiring them to be used by an accredited institution of higher learning, one of the deeds also prohibits the land from being used for dormitories or other residential purposes. The combined donated value of the two parcels is $8,600,000.

Accounts Payable and Accrued Expenses

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

Accounts Payable	
Accounts payable	$ 547,320
Accrued interest	464,140
Deferred compensation liability	30,006
Total accounts payable	**$1,041,466**

Long-Term Indebtedness

Bonds Payable

Series 2007 Bonds – 1201 William Street
In February 2007, the Foundation purchased a building adjacent to the University campus to be operated and managed by the University as part of its faculty offices. The acquisition was financed with tax-exempt financing through a bond pool issuance with the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (Series 2007 Bonds). Interest on the bonds is payable at 4.00% - 4.75% (4.25% as of June 30, 2018) over a 30-year period. The original issue discount of $25,185 and bond issuance costs of $122,896 are being amortized over the life of the bonds using the straight-line method. The bonds are collateralized by a deed of trust and a support agreement with the University. The bonds mature August 1, 2037.

Series 2017 Bonds – Eagle Housing – Student Housing
On July 2, 2013, Eagle Housing, LLC, with the Foundation as guarantor, entered into an agreement with Bank of America for the bank to purchase a tax-exempt bond that Eagle Housing issued through the Economic Development Authority of the City of Fredericksburg, Virginia (Series 2013 Bonds). The proceeds were used to refinance a portion of its 2012 taxable loan related to student housing projects held by the Bank of America. The bonds were refinanced with Series 2017 Bonds in February 2018, maintaining all rates and requirements. Interest on the bonds is payable at a variable interest rate equal to 70% of the one-month London Interbank Offered Rate plus 1.45% (3.13% at June 30, 2019). Bond issuance costs of $128,086 are being amortized over the five-year life of the bonds using the straight-line method. The bond is secured by a deed of trust and assignment of rents and leases on Eagle Landing, University Apartments, Eagle Village's commercial properties and the pedestrian bridge over Route 1, as well as a Support Agreement between the Foundation and the University. The agreement maintains the original loan requirements of maintaining certain minimum balances in accounts with the Bank of America over the life of the bonds and to maintain a debt service coverage ratio of at least 1.2 to 1.0. Eagle Housing, LLC is also required to maintain its interest rate swap contracts that were supporting the 2008 and 2009 bonds.

Bonds payable consists of the following at June 30, 2019:

Bonds Payable	Interest Rates	Maturity	Outstanding Balance
2007 Bonds, net of unamortized discount	variable 4.125% at June 30	2037	$ 1,925,000
2017 Bonds	variable 3.13% at June 30	2023	76,475,000
Total Bonds Payable			**$78,400,000**

Loans Payable

Loan from University
The loan payable to the University of Mary Washington for the purchase of real estate was established in December 2009 when the Foundation purchased certain property for ultimate ownership and use by the University. Under the agreement, the University committed to loan the Foundation up to $1,600,000 to purchase multiple specified properties. The University committed to purchase the property from the Foundation, and Foundation committed to sell the properties to the University by the maturity date. The purchase price will be the sum of purchase price paid plus costs and expenses to carry and maintain the properties during the term of ownership. At settlement, the loan will be repaid via a credit to the University against the purchase price equal to the outstanding principal balance of the loan. The balance outstanding at June 30, 2019 is $1,440,550.

Refunding and refinancing Series 2008 and 2009 bonds
In July 2018, the 2015 taxable loan with the Bank of America was refinanced to extend the maturity date to July 1, 2021. The original loan was entered into to refund Series 2008 and 2009A tax exempt bonds, Series 2009B taxable bonds, and an existing Bank of America line of credit. The agreement maintains the original loan requirements of maintaining certain minimum balances in accounts with the Bank of America over the life of the debt and to maintain a debt service coverage ratio of at least 1.2 to 1.0. Eagle

Housing, LLC is also required to maintain its interest rate swap contracts that were supporting the 2008 and 2009 bonds. The portion of the 2012 loan that related to student housing was previously refinanced with tax-exempt bonds during 2014.

Loans payable consists of the following at June 30, 2019:

Loans Payable	Interest Rates	Maturity	Outstanding Balance
Loan payable Eagle Housing, LLC, Eagle Village I, LLC, Eagle Village-Roger Dodger, LLC and Snowden Street, LLC co-borrowers, collateralized by a deed of trust, assignments of rents and leases, guarantee by the Foundation, and a support agreement between the Foundation and University	Variable, 3.7% at June 30	2021	$37,295,000
Note payable, Eagle Hospitality, LLC borrower, secured by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	4.99%	2043	9,111,951
Note payable to University of Mary Washington, for the purchase of real estate	0.00%	2020	1,440,550
Note payable, Eagle Pizza, LLC and Transitional Properties, LLC co-borrowers, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	4.25%	2020	1,271,420
Note payable, Academic Village, LLC borrower, collateralized by a deed of trust, assignment of rents and leases, and a support agreement between the Foundation and the University	4.24%	2018	654,558
Note payable, Transitional Properties, LLC borrower, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation			
Mortgage payable, Transitional Properties, LLC borrower, collateralized by property	5.50%	2028	240,004
Note payable, Transitional Properties, LLC borrower, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	3.99%	2019	178,408
Promissory note payable for insurance, UMW Foundation, Eagle Housing, LLC, Eagle Village, LL, Eagle Village-Rodger Dodger, LLC and Snowden Street, LLC, collateralized by a security interest in unearned insurance premiums and loss payments	6.02%	2019	77,364
Loan payable, UMW Foundation borrower, collateralized by a vehicle		2021	7,430
Total Loans Payable			**$50,276,685**

Annual debt service requirements

	Bonds Payable	Loans Payable	Total Long-Term Debt
Future principal commitments:			
2020	$ 1,085,000	$ 3,860,127	$4,945,127
2021	1,230,000	1,168,429	2,398,429
2022	1,410,000	1,339,397	2,749,397
2023	1,595,000	1,497,017	3,092,017
2024	1,795,000	1,655,239	3,450,239
Thereafter	71,285,000	40,756,476	112,041,476
Total future principal requirements	$78,400,000	$50,276,685	$128,676,685

Deferred Financing Costs

Financing costs of $415,601 are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at June 30, 2019 was $105,218.

Debt Related Derivative Instruments

Eagle Housing, LLC has entered into interest rate swap agreements in order to convert variable-rate Series 2017 non-taxable bonds and Series 2018 taxable loan debt to a fixed rate. A summary of the interest rate swap contracts at June 30, 2019 follows:

Notional Amount	Interest Rate	Effective Date	Expiration Date	Fair Value
$69,540,000	3.604%	09/01/2014	09/01/2041	$(19,711,313)
6,605,000	3.280%	04/01/2014	04/01/2029	(662,124)

Restricted Deposits and Funded Reserves

In accordance with the bond and loan agreements, the Foundation has the following restricted cash and cash equivalents and funded reserves which are held by Trustees of the Series 2017 and 2018 series debt.

All are cash and cash equivalents:

Restricted Deposits and Funded Reserves	
Debt Service Reserve Fund	$ 3,344,667
Bond Principal Fund	1,690,582
Repair & Replacement Reserve Fund	1,155,894
Interest Reserve Fund	472,026
Total	$ 6,663,169

Related Party Transactions

The Foundation has an agreement to give the University of Mary Washington Alumni Association (UMW AA) annually 20% of unrestricted alumni gifts, with a minimum of $50,000 each year. For 2019, the Foundation gave the Alumni Association $135,247. The Alumni Association directs all royalty revenue to the Foundation for scholarships. Under these arrangements, the Foundation had a net receivable from the UMW AA of $4,853 at June 30, 2019.

Pursuant to an agreement with a former President of the University, the Foundation shall pay the former President's estate $5,100 per month, should he decease within 180 months of his retirement. The commitment declines each month and ceases in its entirety at June 30, 2021. Payments under this agreement shall be funded by the death benefit of a life insurance policy on the former

President, of which the Foundation is the owner and beneficiary. No amounts have been accrued under this agreement as of June 30, 2019.

Commitments

Operating Lease Commitments

The Foundation leases office and retail space to tenants under non-cancelable operating leases, using a real estate brokerage firm with terms of one to ten years.

The following is a schedule by years of future minimum rentals under the leases at June 30, 2019:

Future Minimum Operating Lease Payments	
2020	$ 2,698,862
2021	2,349,396
2022	1,574,779
2023	1,276,605
2024	996,001
Thereafter	2,650,865
Total	**$11,546,508**

Included in the future payments above are multiple lease agreements between the University and the Foundation with approximately $1,999,686 in future minimum rentals at June 30, 2019.

Eagle Hospitality, LLC has an agreement with a hotel management company for the operation of the hotel. The management fee is 3.0% of total revenues or $65,000 per year, whichever is greater. Management fees paid were $89,984 and $116,211 during 2019 and 2018, respectively.

20. SUBSEQUENT EVENTS

On July 8, 2019, the bookstore on the UMW campus re-opened as Barnes & Noble/University of Mary Washington Bookstore. Barnes & Noble College Booksellers, LLC was awarded the contract to operate and manage the bookstore retail operation and its related programs. The contract has an effective date of July 8, 2019 with a five year term and an option to renew for five additional one year terms.

On September 22, 2019, the University renewed its lease with the Foundation's Transitional Properties for property adjacent to the Stafford Campus. The lease has a six year term, with the option to extend to month-to month for up to six additional months. Annual lease payments for this lease will total $18,933.

In September 2019, the UMW Foundation sold property in the immediate area of the University that was leased by the University. The lease between the University and the UMW Foundation was terminated.

REQUIRED SUPPLEMENTARY INFORMATION

The following table reflects the University's share of net pension liability for the years ended June 30, 2019, and the four previous fiscal years for the VRS State Employee Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

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

	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.54990%	0.57000%	0.59080%	0.61197%	0.62172%
Employer's proportionate Share of the Net Pension Liability	$29,775,000	$33,217,000	$38,938,000	$37,469,000	$34,806,000
Employer's Covered Payroll	$22,705,458	$22,744,510	$23,305,516	$23,541,763	$23,883,968
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	131,14%	146.04%	167.08%	159.16%	145.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.39%	75.33%	71.29%	72.81%	74.28%

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

The following table reflects the University's share of net pension liability for the years ended June 30, 2019 and the four previous fiscal years for the VaLORS Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

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

	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.27035%	0.23283%	0.19959%	0.18472%	0.18754%
Employer's proportionate Share of the Net Pension Liability	$1,684,000	$1,528,000	$1,545,000	$1,312,000	$ 1,264,000
Employer's Covered Payroll	$ 934,147	$ 802,036	$ 741,257	$ 633,293	$ 664,331
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	180.27%	190.52%	208.43%	207.17%	190.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.56%	67.22%	61.01%	62.64%	63.05%

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

The following is a schedule of employer contributions for the fiscal years ended June 30, 2015 through June 30, 2019.

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the years ended June 30, 2015 through 2019

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$3,014,433	$3,014,433	$0	$22,304,690	13.51%
2018	3,067,022	3,067,022	0	22,705,458	13.51%
2017	3,076,612	3,076,612	0	22,744,510	13.53%
2016	3,243,242	3,243,242	0	23,305,516	13.92%
2015	2,878,880	2,878,880	0	23,541,763	12.23%

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

Schedule of Employer Contributions
VaLORS Retirement Plan
For the years ended June 30, 2015 through 2019

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$198,192	$198,192	$0	$917,146	21.61%
2018	196,660	196,660	0	934,147	21.05%
2017	165,363	165,363	0	802,036	20.62%
2016	130,260	130,260	0	741,257	17.57%
2015	110,915	110,915	0	633,293	17.51%

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

The following tables reflects the University's share of other post-employment benefit liability for the fiscal years ended June 30, 2018 and 2019, for the VRS & DHRM post-employment benefit plans other than pensions. The amounts presented have a measurement date of the previous fiscal year.

Schedule of Employer's Share of VRS and DHRM post-employment benefit plans other than pensions

	HIC		GLI		VSDP	
	2019	2018	2019	2018	2019	2018
Employer's Proportion of the OPEB Liability (Asset)						
- General State Employee	0.64873%	0.64607%	0.22916%	0.22641%	0.42735%	0.43139%
- VALORS Employee	0.01387%	0.01241%	0.00491%	0.00435%	0.02369%	0.02126)%
Employer's proportionate Share of the OPEB Liability (Asset)						
- General State Employee	$5,918,000	$5,882,000	$3,480,000	$3,407,000	$(962,000)	$ (886,000)
- VALORS Employee	127,000	113,000	75,000	65,000	(54,000)	(44,000)
Related Payroll *	$44,622,908	$42,578,821	$44,650,602	$42,596,928	$17,797,941	$17,030,848
Employer's Proportionate Share of the OPEB Liability (Asset) as a Percentage of its Related Payroll	13.55%	14.08%	7.96%	8.15%	(5.71)%	(5.46)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.51%	8.03%	51.22%	48.86%	194.74%	186.63%

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

**Covered Payroll is reported for the HIC, GLI, and VSDP plans. Covered-Employee Payroll is reported for the LODA and PreMedicare plans.*

Schedule of Employer's Share of VRS and DHRM post-employment benefit plans other than pensions continued

	LODA		Pre-Medicare Retiree Healthplan	
	2019	2018	2019	2018
Employer's Proportion of the OPEB Liability (Asset)				
- General State Employee	0.09588%	0.07365%	0.76207%	0.74096%
- VALORS Employee				
Employer's proportionate Share of the OPEB Liability (Asset)				
- General State Employee			$7,663,672	$9,624,340
- VALORS Employee	$300,000	$193,000		
Related Payroll *	$992,283	$855,069	$40,847,091	$39,502,328
Employer's Proportionate Share of the OPEB Liability (Asset) as a Percentage of its Related Payroll	30.23%	22.57%	18.76%	24.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.60%	1.30%		

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

**Covered Payroll is reported for the HIC, GLI, and VSDP plans. Covered-Employee Payroll is reported for the LODA and PreMedicare plans.*

The following is a schedule of employer contributions to other post-employment benefit plans for the fiscal year ended June 30, 2019 and 2018.

Plan	Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Related Payroll *	Contributions as a % of Covered Payroll or Covered-Employee Payroll
HIC	2019	$519,814	$519,814	$0	$44,225,088	1.18%
	2018	526,550	526,550	0	44,622,908	1.18%
GLI	2019	229,970	229,970	0	44,225,088	0.52%
	2018	232,183	232,183	0	44,650,602	0.52%
VSDP	2019	109,068	109,068	0	16,823,009	0.65%
	2018	117,466	117,466	0	17,797,941	0.66%
LODA	2019	12,704	12,704	0	954,653	1.02%
	2018	10,213	10,213	0	999,283	1.02%

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

**Covered Payroll is reported for the HIC, GLI, and VSDP plans, and Covered-Employee Payroll is reported for the LODA plan.*

VRS and VaLORS PENSION PLANS OTHER POST-EMPLOYMENT BENEFIT PLANS

Changes of benefit terms
There have been no actuarially material changes to the System pension benefit provisions since the prior actuarial valuation.

Changes of assumptions
The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four year period ending June 30, 2016.

General State Employees

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

VaLORS Employees

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

Teachers (GLI)

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

SPORS Employees (GLI, HIC, LODA, VSDP)

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

JRS Employees (GLI, HIC)

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

Largest Ten Locality Employers - General Employees (GLI)

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

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

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

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

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

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

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

DEPARTMENT OF HUMAN RESOURCES MANAGEMENT PRE-MEDICARE RETIREE HEALTHCARE PLAN

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms

There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions

The following assumptions were updated since the June 30, 2017 valuation based on recent experience.

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

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

UNIVERSITY OFFICIALS

Board of Visitors at June 30, 2019

Ms. Heather M. Crislip ’95, Rector
Ms. Devon W. Cushman ’93, Vice Rector
Ms. Rhonda S. VanLowe, Secretary

Ms. Martha G. Abbott ‘72
Dr. Allida M. Black
Ms. Sharon S. Bulova
Mr. Edward B. Hontz
Hon. R. Edward Houck
Mr. Leopoldo J. Martinez
Ms. Patricia G. McGinnis ‘69
Mr. Davis C. Rennolds ‘06
Ms. Deirdre Powell White ‘91

University Leadership

Troy D. Paino
President

Paul Messplay
Vice President for Administration and Finance
and Chief Financial Officer

Davis McCrory
Director of Internal Audit