



# Financial Report

For the year ended June 30, 2017

**Unaudited**

09/26/2017



UNIVERSITY OF  
MARY WASHINGTON

*where great minds get to work*

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## 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 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 4,300 undergraduate students enrolled at the Fredericksburg campus and 350 students enrolled in professional studies and graduate programs. The University continues to receive national recognition for its programs and value. *Forbes* ranked UMW 276<sup>th</sup> of 660 undergraduate institutions on its list of “America’s Top Colleges” in 2017. *College Factual/USA Today* ranked UMW in the top 15% of universities in the Southeast region. The *Fiske Guide to Colleges 2017* designated UMW as a “Best Buy School,” making it one of only two colleges in Virginia and the District of Columbia reaching this distinction. Students at UMW learn from master teachers, more than 88 percent of whom have earned a doctorate or other terminal degree in their field. The University has no graduate teaching assistants. Since 2006, UMW has had one faculty member win a Pulitzer Prize in poetry, and eight faculty members have received Fulbright Awards to teach and research abroad.

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, 2017. Comparative numbers are included for the fiscal year ended June 30, 2016. 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.

Total University assets and deferred outflows decreased \$1.4 million, or 0.4%, during fiscal year 2017, bringing Total assets and Deferred Outflows to \$346.7 million at year end. The University saw a decrease in Net Capital Assets of \$4.7 million, 1.5%. This is due to an increase in accumulated depreciation of \$9.0 million, offset by only \$4.3 million in capital asset additions. Other Assets decreased \$1.7 million, 18.3%, due to the amount of restricted cash spent on capital projects. Virginia Retirement System (VRS) pension transactions, as required by GASB 68, makeup \$6.1 million of Deferred Outflows of Resources and account for the \$2.4 million increase. Deferred Outflows of Resources represent the consumption of net assets applicable to a future reporting period.

The University's Liabilities and Deferred Inflows decreased \$3.7 million, or 1.9%, during fiscal year 2017. The \$1.4 million, 6.8%, increase in Current Liabilities is primarily due to reclassification of a \$1.0 million contingency loss related to a notice of claim from Noncurrent Liabilities to Current Liabilities.

### Summary of Assets, Liabilities, and Net Position

For the years ended June 30, 2017 and 2016  
(All \$ in millions)

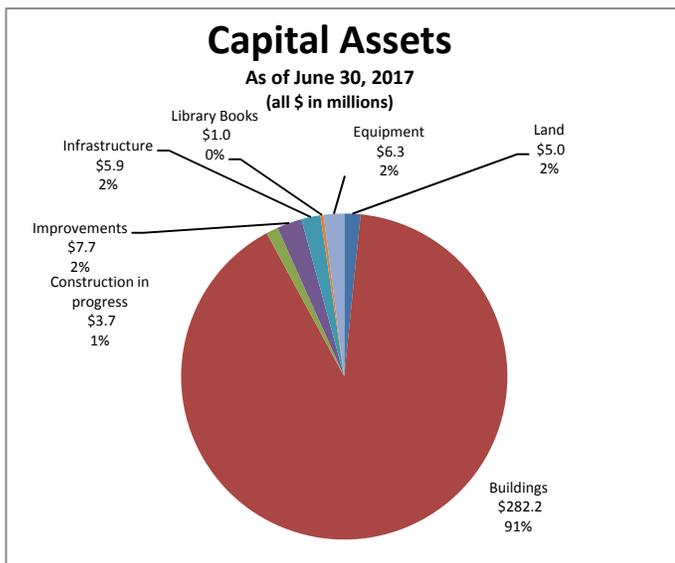
	2017	2016	Change Amount	Change Percent
<b>Assets</b>				
Current Assets	\$ 20.4	\$ 17.8	\$2.6	14.6%
Net Capital Assets	311.9	316.6	(4.7)	(1.5)%
Other Assets	7.6	9.3	(1.7)	(18.3)%
<b>Deferred Outflows of Resources</b>	6.8	4.4	2.4	54.5%
<b>Total Assets &amp; Deferred Outflows</b>	<b>346.7</b>	<b>348.1</b>	<b>(1.4)</b>	<b>(0.4)%</b>
<b>Liabilities</b>				
Current Liabilities	22.0	20.6	1.4	6.8%
Noncurrent Liabilities	163.8	169.6	(5.8)	(3.4)%
<b>Deferred Inflows of Resources</b>	4.2	3.5	0.7	20.0%
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>190.0</b>	<b>193.7</b>	<b>(3.7)</b>	<b>(1.9)%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	188.4	191.4	(3.0)	(1.6)%
Restricted	0.6	0.5	0.1	20.0%
Unrestricted	(32.3)	(37.5)	5.2	13.9%
<b>Total Net Position</b>	<b>\$156.7</b>	<b>\$154.4</b>	<b>\$2.3</b>	<b>1.5%</b>

In July, 2016 UMW participated in the Virginia College Building Authority refunding of bonds. This refunding along with the reclassification of the previously mentioned contingency loss account for the \$5.8 million, 3.4%, decrease in Noncurrent Liabilities. The increase in Deferred Inflows of Resources is also related to the bond refunding and the VRS GASB 68 required entries.

## 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 serve 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 and shows net additions of \$4.3 million. The table below indicates capital projects completed during 2017. Ongoing investments in instructional, research, computer equipment, and library books totaled \$1.1 million. In June 2017, a steam tunnel under Willard Hall ruptured. The asset was determined to be impaired, and the University recognized impairment loss equal to the asset's remaining book value of \$311,133. Fiscal year 2017 depreciation, along with the impairment of Willard Hall added \$9.0 million to accumulated depreciation.



### Capital project completions

For the year ended June 30, 2017  
(All \$ in millions)

	Project Amount
Woodard Hall	\$ 8.9
Mercer Hall	7.1
Battleground	2.1
Goolrick Roof Replacement	0.8
Infrastructure	0.2
<b>Total capital project completions</b>	<b>\$ 19.1</b>

Non-depreciable capital assets, land and construction in progress saw a net decrease of \$15.1 million during 2017. This is directly attributable to the completion of the Mercer, Woodard, and Battleground capital projects. The table below indicates those capital projects on-going at year end.

### Construction in Progress

For the year ended June 30, 2017  
(All \$ in millions)

	Project Amount
Jepson Science Center renovation	\$ 2.3
Dahlgren parking	0.6
Amphitheatre renovation	0.4
Maintenance	0.4
<b>Total construction in progress</b>	<b>\$ 3.7</b>

Capital projects in progress carry commitments to construction contractors, architects, and engineers totaling \$1.5 million at June 30, 2017. 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 type of 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

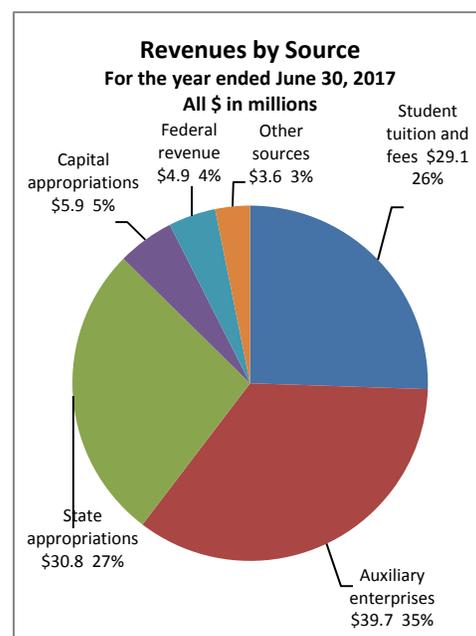
The University's total operating revenue increased \$1.6 million, or 2.3%, from the prior fiscal year. Tuition, room, and board rates were increased for fiscal year 2017 and enrollment remained level. Student Tuition and Fees, Net is made up of gross tuition and related comprehensive fee revenue less related scholarship allowances. While gross student tuition and fee revenue increased \$1.0 million, related scholarship allowances increased \$2.1 million resulting in a decrease in Student Tuition and Fees, Net of \$1.1 million, 3.6%. Auxiliary Enterprises, Net increased \$2.2 million, 5.9%, reflecting the new 2017 room, board, and auxiliary comprehensive fee rates. Auxiliary related scholarship allowances remained level.

Grants and Contracts revenue increased \$0.3 million, 21.4%, from fiscal year 2016 to fiscal year 2017. The University was awarded a five year \$1.0 million Science, Technology, Engineering, and Math (STEM) grant by the National Science Foundation. In fiscal year 2017, the University received \$0.2 million in funding from the grant.

### Non-operating and Other Revenue

Non-operating Revenue increased \$3.4 million, 10.6%, in fiscal year 2017. This is largely due to an increase in State Appropriations. Other Non-operating income increased \$0.6 million, 85.7%, due to VRS related transactions. Other Revenue of the University consists of Capital Appropriations and Capital Gifts and Contributions. Capital Gifts and Contributions decreased \$3.5 million, 89.7%, during fiscal year 2017. In fiscal year 2016, the University received a \$3.75 million payment per the dining services contract from Sodexo for the University Center project. This was a one time payment.

<b>Summary of Revenue</b>				
For the years ended June 30, 2017 and 2016 (All \$ in millions)				
	2017	2016	Change Amount	Change Percent
<b>Operating revenue</b>				
Student Tuition and Fees, Net	\$ 29.1	\$ 30.2	\$(1.1)	(3.6)%
Grants and Contracts	1.7	1.4	0.3	21.4%
Auxiliary Enterprises, Net	39.7	37.5	2.2	5.9%
Other Operating Revenue	1.6	1.4	0.2	14.3%
Total Operating Revenue	72.1	70.5	1.6	2.3%
<b>Non-operating Revenue</b>				
State Appropriations	30.8	28.3	2.5	8.8%
Federal Pell Grant Revenue	3.5	3.2	0.3	9.4%
Other Non-operating Income	1.3	0.7	0.6	85.7%
Total Non-operating Revenue	35.6	32.2	3.4	10.6%
<b>Other Revenue</b>				
Capital Appropriations	5.9	6.8	(0.9)	(13.2)%
Capital Gifts and Contributions	0.4	3.9	(3.5)	(89.7)%
Total Other Revenue	6.3	10.7	(4.4)	(41.1)%
Total Revenue	114.0	\$113.4	\$0.6	0.5%



## 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*.

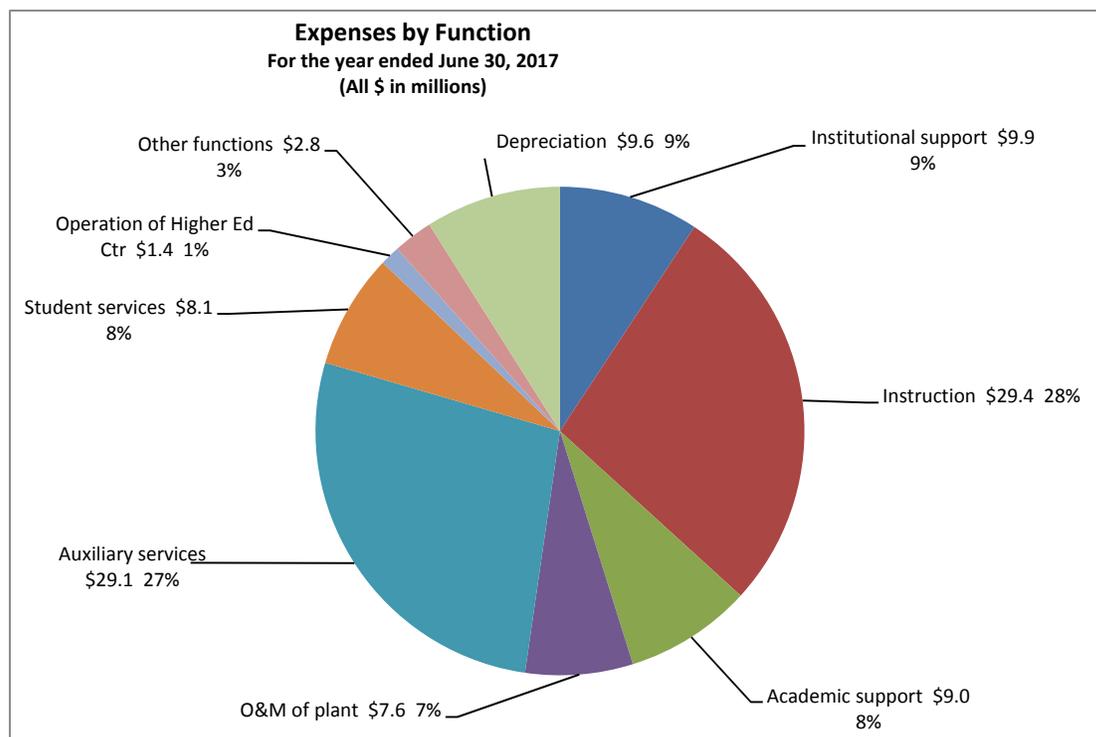
Overall, the operating expenses of the University increased \$2.3 million or 2.2%. The adjacent table provides a year to year comparison of operating expenses by function.

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 auxiliary services increased \$0.2 million, 0.7% while expenses for instruction increased \$1.4 million, 5.0%. This increase is attributable to increased salaries and fringe benefits costs, primarily health insurance. Depreciation expense increased \$0.7 million, 7.9%, due to the annualization of depreciation on the University Center, completed and capitalized in the previous fiscal year.

### Summary of Expenses by Function

For the years ended June 30, 2017 and 2016  
(All \$ in millions)

	2017	2016	Change Amount	Change Percent
<b>Operating expenses</b>				
Instruction	\$29.4	\$28.0	\$ 1.4	5.0%
Research	0.3	0.3	0.0	0.0%
Public Service	0.6	0.7	(0.1)	(14.3)%
Academic Support	9.0	8.8	0.2	2.3%
Student Services	8.1	7.7	0.4	5.2%
Institutional Support	9.9	10.1	(0.2)	(2.0)%
Operation & maintenance of plant	7.6	8.1	(0.5)	(6.2)%
Depreciation	9.6	8.9	0.7	7.9%
Student aid	0.7	0.5	0.2	40.0%
Auxiliary services	29.1	28.9	0.2	0.7%
Operation of Higher Ed. Centers	1.4	1.5	(0.1)	(6.7)%
Museum & cultural services	0.8	0.8	0.0	0.0%
Historic attraction management	0.4	0.3	0.1	33.3%
<b>Total operating expenses</b>	<b>\$ 106.9</b>	<b>\$ 104.6</b>	<b>\$2.3</b>	<b>2.2%</b>



### Summary of Expenses by Natural Classification

For the years ended June 30, 2017 and 2016  
(All \$ in millions)

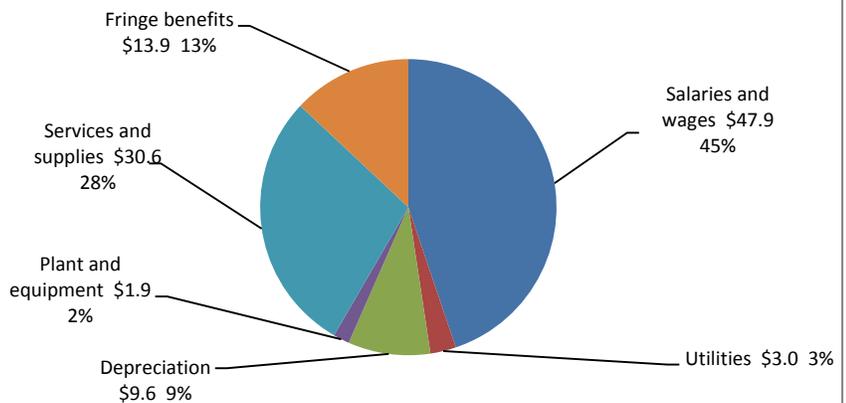
	2017	2016	Change Amount	Change Percent
<b>Operating expenses</b>				
Salaries and wages	\$ 47.9	\$ 46.8	\$ 1.1	2.4%
Fringe benefits	13.9	12.8	1.1	8.6%
Services and supplies	30.6	31.0	(0.4)	(1.3)%
Utilities	3.0	3.1	(0.1)	(3.2)%
Plant and equipment	1.9	2.0	(0.1)	(5.0)%
Depreciation	9.6	8.9	0.7	7.9%
<b>Total operating expenses</b>	<b>106.9</b>	<b>\$ 104.6</b>	<b>\$ 2.3</b>	<b>2.2%</b>

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 adjacent table. Salaries and wages increased \$1.1 million, 2.4%, reflecting the salary increases and bonuses approved for faculty and staff in November, 2016. In addition, expenses for fringe benefits increased \$1.1 million primarily due to the increase in health insurance costs.

Non-operating expenses include a net loss on disposal and impairment of capital assets (\$0.2 million) and the interest paid on capital asset related debt (\$5.5 million). As discussed previously, Willard Hall was determined to be impaired in June 2017. The University recognized \$0.3 million in impairment loss related to Willard Hall.

### Expenses by Natural Classification

For the year ended June 30, 2017  
(All \$ in millions)



## Changes in Net Position

The increase in operating revenues minus the increase in operating expenses resulted in an operating loss \$0.7 million, 2.1%, larger in fiscal year 2017 than in the previous fiscal year. The University recognized an operating loss for fiscal year 2017 of \$34.8 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 2017 net position of \$156.7 million is \$2.3 million higher than it was at the end of 2016.

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

For the years ended June 30, 2017 and 2016  
(All \$ in millions)

	2017	2016	Change Amount	Change Percent
Operating revenues	\$ 72.1	\$ 70.5	\$ 1.6	2.3%
Operating expenses	106.9	104.6	2.3	2.2%
Operating loss	(34.8)	(34.1)	(0.7)	2.1%
Non-operating revenues and expenses	30.8	26.5	4.3	16.2%
Loss before other revenues, expenses, gains or losses	(4.0)	(7.6)	3.6	(47.4)%
Other revenues, expenses, gains or losses	6.3	10.7	(4.4)	(41.1)%
Increase in net position	2.3	3.1	(0.8)	(25.8)%
Net position – beginning of year	154.4	151.3	3.1	2.0%
Net position – end of year	\$ 156.7	\$ 154.4	\$ 2.3	1.5%

## 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.

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.

### Statement of Cash Flows

For the years ended June 30, 2017 and 2016  
(All \$ in millions)

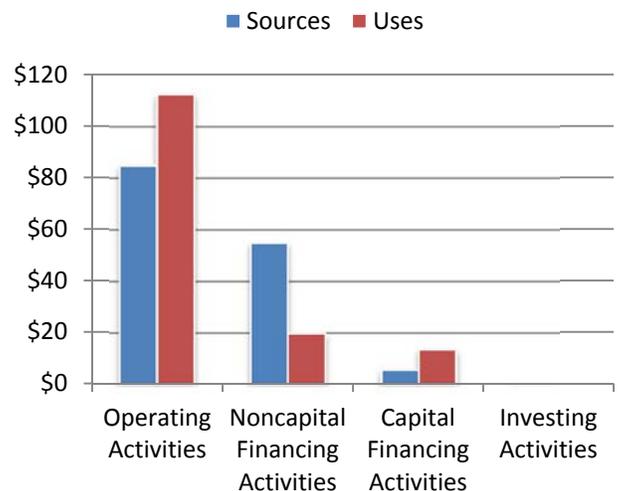
	2017	2016	Change Amount	Change Percent
Net cash used by operating activities	\$ (27.6)	\$ (32.4)	\$ (4.8)	(14.8)%
Net cash provided by noncapital financing activities	35.1	31.8	3.3	10.4%
Net cash used by capital financing activities	(7.7)	(7.0)	(0.7)	10.0%
Net cash provided by investing activities	0.1	0.1	0.0	0.0%
Net decrease in cash	(0.1)	(7.5)	7.4	(98.7)%
Cash – beginning of year	21.2	28.7	(7.5)	(26.1)%
Cash – end of year	\$21.1	\$21.2	\$(0.1)	(0.5)%

Overall, the University experienced a net decrease in cash of \$0.1 million during fiscal year 2017. Total cash and cash equivalent balances at fiscal year end were \$21.1 million. The primary sources of operating cash for the University were from student tuition and fees (\$42.0 million) and auxiliary enterprises (\$40.2 million). The largest amounts of operating cash were spent on employee compensation and benefits (\$63.3 million), payments for services and supplies (\$31.1 million), and student scholarships (\$13.0 million).

Primary sources of cash from noncapital financing activities are state appropriations (\$30.9 million) and Federal grant and loan programs (\$22.9 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.

### Summary of Cash Flows

For the year ended June 30, 2016  
(All \$ in millions)



## 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.

State funding for Educational and General (E&G) Programs will increase in fiscal year 2018 as reflected in the appropriation act (Chapter 836) passed by the 2017 General Assembly. In addition to an increase in general fund support for operational programs, the General Assembly adopted a 3% salary increase for classified staff and a 2% increase for faculty, effective July 10, 2017. Early revenue reports from the Secretary of Finance for the 2018 fiscal year reflect job growth and higher than forecasted revenue collections.

Preliminary enrollment numbers for the fall 2017 semester are solid and reflect positive results from a number of initiatives adopted by the University to stabilize the size of the freshman class, improve retention, enhance access and affordability, support diversity and enhance the institution's profile.

The University's executive management believes the University will maintain its solid 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, 2017

	UMW	UMW Foundation
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Cash and cash equivalents (Notes 3, 19)	15,237,597	6,074,521
Accounts receivable, net of allowance for doubtful accounts (Note 4)	2,871,830	2,528,106
Pledges receivable, current portion (Note 19)		1,012,076
Due from Commonwealth	128,019	
Due from Foundation	685,974	
Due from University (Note 17)		147,904
Inventories	683,175	1,360
Prepaid items	840,261	176,922
Other current assets		15,089
<b>Total current assets</b>	<b>\$20,446,856</b>	<b>\$9,955,978</b>
Noncurrent assets:		
Restricted cash and cash equivalents (Notes 3, 19)	5,855,213	5,379,465
Restricted investments (Note 19)		44,349,099
Due from Commonwealth, restricted (Note 5)	276,453	
Due from Foundation, noncurrent	1,440,550	
Pledges receivable, noncurrent portion (Note 19)		1,038,539
Other noncurrent assets		839,867
Nondepreciable capital assets (Notes 6, 19)	8,706,611	34,214,691
Capital assets, net of accumulated depreciation (Notes 6, 19)	303,163,686	92,396,556
<b>Total noncurrent assets</b>	<b>\$319,442,513</b>	<b>\$178,218,217</b>
<b>Total Assets</b>	<b>\$339,889,369</b>	<b>\$188,174,195</b>
Deferred Outflows of Resources related to pensions (Note 13)	6,125,435	
Deferred Outflows of Resources related to debt refunding (Note 8)	701,487	
<b>Total Assets and Deferred Outflows</b>	<b>\$346,716,291</b>	<b>\$188,174,195</b>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities:		
Accounts payable (Note 7, 19)	11,889,109	963,340
Unearned revenue	1,765,957	56,052
Deposits held in trust	1,210,472	190,542
Due to Commonwealth	3,509	
Due to Foundation (Note 17)	147,904	
Due to University		685,974
Other current liabilities	1,000,000	
Long-term liabilities – current portion (Notes 8, 9)	5,969,413	1,708,759
<b>Total current liabilities</b>	<b>\$21,986,364</b>	<b>\$3,604,667</b>
Noncurrent liabilities:		
Long-term pension liability – noncurrent portion (Note 13)	40,483,000	
Amounts due to University – noncurrent portion		1,440,550
Long-term liabilities – noncurrent portion (Notes 8, 9, 16, 17, 19)	122,830,353	148,236,058
Federal Perkins loan program contributions refundable	539,431	
<b>Total noncurrent liabilities</b>	<b>\$163,852,784</b>	<b>\$149,676,608</b>
<b>Total Liabilities</b>	<b>\$185,839,148</b>	<b>\$153,281,275</b>
Deferred Inflows of Resources related to pensions (Note 13)	2,569,000	
Deferred Inflows of Resources related to debt refunding (Note 8)	1,610,133	
<b>Total Liabilities and Deferred Inflows</b>	<b>\$190,018,281</b>	<b>\$153,281,275</b>

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

## STATEMENT OF NET POSITION (CONTINUED)

For the year ended June 30, 2017

	UMW	UMW Foundation
<b>Net Position</b>		
Net investment in capital assets	188,366,983	2,590,007
Restricted for:		
Nonexpendable:		
Permanently restricted		41,650,994
Expendable:		
Capital Projects		
Loans	225,894	
Sponsored programs	386,057	
Research	6,443	
Temporarily restricted		15,344,956
Unrestricted	(32,287,367)	(24,693,037)
<b>Total Net Position</b>	<b>\$156,698,010</b>	<b>\$34,892,920</b>

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, 2017

	UMW	UMW Foundation
<b>Operating revenues:</b>		
Student tuition and fees, net of scholarship allowances of \$14,572,616	29,116,170	
Federal grants and contracts	862,597	
State grants and contracts	34,207	
Nongovernmental grants and contracts	853,383	
Auxiliary enterprises, net of scholarship allowances of \$606,955	39,667,064	
Foundation operations		17,290,497
Other operating revenues	1,601,678	
<b>Total operating revenues</b>	<b>72,135,099</b>	<b>17,290,497</b>
<b>Operating expenses: (Note 10)</b>		
Instruction	29,404,055	
Research	301,497	
Public service	586,127	
Academic support	9,029,925	
Student services	8,068,749	
Institutional support	9,860,735	
Operation and maintenance of plant	7,609,446	
Depreciation	9,611,959	
Student aid	726,439	
Auxiliary activities	29,110,571	
Operation of Higher Education Centers	1,423,965	
Museum and cultural services	804,077	
Historic attraction management	370,180	
Foundation operations		17,921,865
<b>Total operating expenses</b>	<b>106,907,725</b>	<b>17,921,865</b>
<b>Operating Gain/(Loss)</b>	<b>(34,772,626)</b>	<b>(631,368)</b>
<b>Non-operating revenues/(expenses):</b>		
State appropriations (Note 11)	30,845,875	
Federal student financial aid – Pell grant revenue	3,532,292	
Federal Build America Bond interest subsidy revenue	574,224	
Investment income/(loss)	104,837	4,349,917
Unrealized gain/(loss) on interest rate swap contracts		8,852,508
Gain/(Loss) on disposal of capital assets	(264,062)	
Other nonoperating revenues/(expenses)	669,921	
Interest on capital asset related debt	(4,673,919)	(5,344,288)
<b>Net non-operating revenues/(expenses)</b>	<b>30,789,168</b>	<b>7,858,137</b>
<b>Income/(Loss) before other revenues, expenses, gains, or losses</b>	<b>(3,983,458)</b>	<b>7,226,769</b>
Capital appropriations (Note 5)	5,941,120	
Capital gifts and contributions	363,375	
Non-controlling interest in division loss		(42,850)
Additions to term endowments		1,694,107
Additions to permanent endowments		3,262,526
<b>Net other revenues, expenses, gains, or losses</b>	<b>6,304,495</b>	<b>4,913,783</b>
<b>Increase in net position</b>	<b>2,321,037</b>	<b>12,140,822</b>
<b>Net Position – Beginning of year</b>	<b>154,376,973</b>	<b>22,752,368</b>
<b>Net Position – End of year</b>	<b>156,698,010</b>	<b>34,892,920</b>

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

# STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

	UMW
<b>Cash flows from operating activities:</b>	
Student tuition and fees	41,978,319
Grants and contracts	809,065
Auxiliary enterprises	40,189,150
Other receipts	1,761,901
Payments to employees	(47,697,748)
Payments for fringe benefits	(15,610,709)
Payments for services and supplies	(31,104,661)
Payments for utilities	(3,017,149)
Payments for scholarships and fellowships	(13,003,857)
Payments for noncapitalized plant and equipment	(1,848,100)
Perkins and other loans issued to students	(122,485)
Collection of Perkins and other loans from students	115,831
<b>Net cash used by operating activities</b>	<b>(27,550,443)</b>
<b>Cash flows from noncapital financing activities:</b>	
State appropriations	30,932,845
Federal Pell Grant revenue	3,532,292
Federal Direct Loan Program receipts	19,396,171
Federal Direct Loan Program payments	(19,396,171)
Funds held for others - receipts	154,677
Funds held for others – disbursements	(180,526)
VRS Special Revenue	992,000
VRS deferred contribution repayment	(322,079)
<b>Net cash provided by noncapital financing activities</b>	<b>35,109,209</b>
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations	5,740,727
Purchase of capital assets	(4,779,176)
Principal paid on capital debt, leases, and installments	(7,198,386)
Interest paid on capital debt, leases, and installments	(1,508,872)
<b>Net cash used by capital financing activities</b>	<b>(7,745,707)</b>
<b>Cash flows from investing activities:</b>	
Interest on investments	104,837
<b>Net cash provided by investing activities</b>	<b>104,837</b>
<b>Net decrease in cash</b>	<b>(82,104)</b>
<b>Cash – Beginning of the year</b>	<b>21,174,914</b>
<b>Cash – End of the year</b>	<b>21,092,810</b>

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

# STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2017

	UMW
<b>Reconciliation of net operating loss to net cash used by operating activities:</b>	
<b>Operating loss</b>	<b>(34,772,626)</b>
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	9,611,959
Changes in assets, liabilities, deferred outflows, and deferred inflows:	
Accounts receivable (operating portion)	3,070
Inventories	(104,369)
Prepaid expenses	(134,444)
Deferred outflows of resources related to pensions	(2,490,923)
Due from Foundation	(679,219)
Accounts payable	341,878
Unearned revenue	268,976
Deposits held in trust, excluding Agency funds	6,221
Due to Foundation	(231,663)
Due to Commonwealth (operating portion)	(9,113)
VRS pension liability	1,702,000
Deferred inflows of resources related to pensions	(1,005,000)
Accrued leave liability	(57,190)
<b>Total adjustments</b>	<b>7,222,182</b>
<b>Net cash used by operating activities</b>	<b>(27,550,443)</b>
<b>Noncash investing, capital, and financing activities</b>	
Bond premium, discount, gain, loss amortization	965,708
Loss on disposal of fixed assets	(264,062)
Gift of capital assets	363,375
	363,375

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

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## 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 discretely presenting the financial position of the University of Mary Washington Foundation (UMW Foundation). The UMW Foundation is a non-profit organization incorporated under the laws of the Commonwealth of Virginia. It 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 financial reports of the UMW Foundation include the net position and results of operations of several wholly owned subsidiaries. The UMW Foundation issues its own audited financial statements in addition to being included in the statements of the University.

The University benefits from the University of Mary Washington 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. Summary information related to the University of Mary Washington Alumni Association is presented in Note 18. Financial statements are also issued by the Alumni Association.

Both organizations are separate legal entities from the University and the University exercises no control over them. 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.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*, which requires agencies of governments to report a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. GASB 68 was effective for the University for the year ended June 30, 2015. In addition, in November 2013, GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*, was issued to address an issue regarding application of the transition provisions of GASB 68. The provisions of GASB 71 are effective simultaneously with the provisions of GASB 68. The effect of GASB 68 and GASB 71 on the University's financial statements was a decrease to beginning net position of approximately \$40.3 million from fiscal year 2014 to fiscal year 2015.

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.

## 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. Renovation costs are capitalized when expenses total more than \$5,000, the asset value significantly increases, or the useful life is significantly extended. 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 is 50 years for buildings, 5-30 years for improvements other than buildings, 5-50 years for infrastructure, 5-15 years for equipment, and 10 years for library materials.

## 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. The James Monroe Law Office Museum and Memorial Library also maintains a collection of jewelry, furniture, documents, books, antiques, and portraits. These collections were appraised in 1982 and 2001 for approximately \$2,300,000 and \$2,842,000 respectively.

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, 2016, 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.

## 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 the Single Audit Act Amendments of 1996, 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.

## 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.
- **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 a policy limiting the ratings type of investment choices. 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 an open-end management investment company registered with the Securities and Exchange Commission.

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

The investment policy of the University is established by the Board of Visitors and monitored by the board. 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 valued to certain investments. None of the University's fiscal year 2017 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 below.

	Value As of June 30, 2017	Credit Rating	Investment Maturity
Cash and cash equivalents:			
Cash with the Treasurer	3,238,032		
Deposits with financial institutions	3,224,930		
Money market deposits with brokers/dealers	9,298,090	Moody's Aa1	< 3 months
State non-arbitrage program (SNAP)	5,331,758	S&P AAAM	< 3 months
	21,092,810		

## 4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2017:

<b>Accounts Receivable</b>	
Student tuition and fees	\$1,494,831
Auxiliary enterprises	908,200
Perkins loan	835,207
VCBA Series 2010A/B Interest Subsidy	476,949
Other activities	157,551
	\$3,872,738
Total receivables before allowance	\$3,872,738
Less: allowance for doubtful accounts	(1,000,908)
	\$2,871,830

## 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 2017, funding has been provided to the University from two programs: 21<sup>st</sup> 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, 2017, 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 21 <sup>st</sup> Century program	5,285,374
<b>Total capital appropriations</b>	<b>\$5,941,120</b>

The line item, "Due from Commonwealth, restricted," on the *Statement of Net Position* for the year ended June 30, 2017, represents pending reimbursements from the following programs:

### Due from the Commonwealth, restricted

VCBA 21 <sup>st</sup> Century program	276,453
<b>Total Due from the Commonwealth, restricted</b>	<b>\$ 276,453</b>

## 6. CAPITAL ASSETS

A summary of changes in capital asset categories for the year ended June 30, 2017, is presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	\$5,039,599			\$5,039,599
Construction in progress	18,741,130	4,120,494	(19,194,612)	3,667,012
<b>Total non-depreciable capital assets</b>	<b>23,780,729</b>	<b>4,120,494</b>	<b>(19,194,612)</b>	<b>8,706,611</b>
Depreciable capital assets:				
Buildings	341,614,304	16,779,952		358,394,256
Equipment	24,587,973	998,825	(801,578)	24,785,220
Intangible Assets	291,062			291,062
Infrastructure	34,389,334	282,762		34,672,096
Improvements other than buildings	9,919,671	2,099,337		12,019,008
Library books	11,476,010	121,932	(103,384)	11,494,558
<b>Total depreciable capital assets at historical cost</b>	<b>422,278,354</b>	<b>20,282,808</b>	<b>(904,962)</b>	<b>441,656,200</b>
Less accumulated depreciation for:				

Buildings	69,524,113	6,640,388		76,164,501
Equipment	17,698,766	1,741,890	(782,509)	18,658,147
Intangible Assets	44,875	50,225		95,100
Infrastructure	27,769,541	984,179		28,753,720
Improvements other than buildings	4,045,601	304,759		4,350,360
Library books	10,372,419	201,651	(103,384)	10,470,686
Total accumulated depreciation	129,455,315	9,923,092	(885,893)	138,492,514
<b>Depreciable capital assets, net of depreciation</b>	<b>292,823,039</b>	<b>10,359,716</b>	<b>(19,069)</b>	<b>303,163,686</b>
<b>Total capital assets, net of depreciation</b>	<b>\$316,603,768</b>	<b>\$14,480,210</b>	<b>(\$19,213,681)</b>	<b>\$311,870,297</b>

## 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2017:

Accounts payable and accrued expenses	
Accounts payable	\$ 3,102,824
Accrued salaries and wages payable	7,032,529
Accrued interest on capital debt	1,736,000
Retainage payable	17,756
<b>Total accounts payable and accrued expenses</b>	<b>\$11,889,109</b>

## 8. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 9), accrued compensated absences, loss contingencies (further described in Note 16), VRS pension liability (further described in Note 13), and the federal Perkins Loan program contribution refundable. A summary of changes in the long-term liabilities for the year ending June 30, 2017 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	\$ 3,666,032		\$ (422,634)	\$ 3,243,398	\$ 434,874
Notes payable	128,816,952	18,297,348	(23,772,592)	123,341,708	4,045,561
Installment purchases	980,762		(265,447)	715,315	277,010
Total long-term debt	133,463,746	18,297,348	(24,460,673)	127,300,421	4,757,445
Other non-current liabilities:					
Loss contingency	1,000,000			1,000,000	1,000,000
Accrued compensated absences	1,556,535	1,252,866	(1,310,056)	1,499,345	1,211,968
	2,556,535	1,252,866	(1,310,056)	2,499,345	2,211,968
<b>Total non-current liabilities</b>	<b>\$136,020,281</b>	<b>\$19,550,214</b>	<b>\$(25,770,729)</b>	<b>\$129,799,766</b>	<b>\$6,969,413</b>

With the adoption of GASB Statement 65, the remaining difference between the acquisition price and the carrying amount of the debt was reclassified as a loss or gain on refunding within deferred outflows and inflows of resources on the Statement of Net Position. The amount reclassified for bonds payable and notes payable was \$241,200 and \$1,149,846 respectively.

## 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, 2017 is presented as follows:

	Interest Rates	Maturity	Outstanding Balance
Residence Halls			
Series 2009C, issued \$152,541- partial refunding series 2001A	3.0% - 4.0%	2021	\$ 149,545
Series 2014B, issued \$656,449 – partial refunding series 2004A	2.0% - 5.0%	2020	365,832
Dining Halls			
Series 2009D, issued \$1,625,000 – partial refunding series 2005A	5.0%	2022	1,385,000
Series 2012A, issued \$ 654,765 – partial refunding series 2005A	2.0% - 5.0%	2024	654,765
Series 2013B, issued \$ 565,091 – partial refunding series 2005A	3.0% - 5.0%	2025	344,328
Unamortized premium/(discount)			343,928
Total Bonds Payable			<u>\$3,243,398</u>

### 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. A summary of all notes payable as of June 30, 2017 is presented below:

	Interest Rates	Maturity	Outstanding Balance
Tennis Court Replacement			
Series 2014B, issued \$335,000 – refunding series 2004	3.00% - 5.00%	2019	\$ 205,000
Fitness Center			
Series 2007B, issued \$1,030,000 – partial refunding series 2000A	4.00% - 4.50%	2019	1,000,000
Series 2010B, issued \$545,000 – partial refunding series 2000A	2.00% - 5.00%	2021	340,000
Indoor Tennis Facility			
Series 2007B, issued \$860,000 – partial refunding series 2002A	4.00% - 4.50%	2019	440,000
Series 2010B, issued \$630,000 – partial refunding series 2002A	2.00% - 5.00%	2023	515,000
Jepson Science Center			
Series 2007B, issued \$190,000 – partial refunding series 1997	4.00% - 4.25%	2018	115,000
Parking Deck			
Series 2012A, issued \$3,575,000 – partial refunding series 2004	2.75% - 5.00%	2026	3,055,000
Athletic Field Replacement			
Series 2007A, issued \$1,935,000	4.50% - 5.00%	2017	45,000
Series 2014B, issued \$ 435,000 – partial refunding series 2007	3.00% - 5.00%	2025	435,000
Series 2016A, issued \$ 840,000 – partial refunding series 2007	4.50% - 5.00%	2037	840,000
Residence Halls			
Series 2007A, issued \$4,895,000	4.50% - 5.00%	2017	115,000
Series 2010A/B, issued \$36,765,000	3.75% - 5.60%	2040	32,880,000
Series 2014B, issued \$1,100,000 – partial refunding series 2007	3.00% - 5.00%	2025	1,100,000
Series 2016A, issued \$2,210,000 – partial refunding series 2007	4.50% - 5.00%	2037	2,210,000
Convocation Center			
Series 2009B, issued \$18,795,000	3.00% - 5.00%	2020	1,285,000
Series 2016A, issued \$13,215,000 – partial refunding series 2009	2.00% - 5.00%	2039	13,215,000

Athletic Complex Renovations			
Series 2010A/B, issued \$2,530,000	2.00% - 5.60%	2041	2,220,000
Series 2015A, issued \$2,370,000	3.00% - 5.00%	2036	2,295,000
Campus Center			
Series 2012B, issued \$27,955,000	3.00% - 5.00%	2043	26,340,000
Series 2013A, issued \$18,835,000	2.00% - 5.00%	2043	18,110,000
Series 2014A, issued \$ 8,870,000	2.00% - 5.00%	2044	8,735,000
Series 2015A, issued \$ 1,125,000	3.00% - 5.00%	2036	1,090,000
Unamortized premium/(discount)			6,756,708
Total Notes Payable			<u>\$ 123,341,708</u>

## 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 2019 with interest rates from 2.99% to 4.31%. Principal balance as of June 30, 2017 is \$715,315.

## Defeasance of Debt

In prior years, the University and the Commonwealth of Virginia, on behalf of the University, issued bonds and the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The bonds representing that debt are considered defeased. The trust account's assets and the liabilities for the defeased bonds are not included in the University's financial statements. At June 30, 2017, \$19,866,000 of 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
<b>Future Principal commitments:</b>				
2018	\$ 370,181	\$ 3,690,000	\$ 277,010	\$ 4,337,191
2019	388,962	3,760,000	289,078	4,438,040
2020	400,052	3,905,000	149,227	4,454,279
2021	436,183	3,985,000		4,421,183
2022	305,000	3,790,000		4,095,000
2023 – 2027	999,092	20,285,000		21,284,092
2028 – 2032		22,110,000		22,110,000
2033 – 2037		25,575,000		25,575,000
2038 – 2042		24,255,000		24,255,000
2043 – 2045		5,230,000		5,230,000
Unamortized premium/(discount)	343,928	6,756,708		7,100,636
<b>Total future principal requirements</b>	<b>\$ 3,243,398</b>	<b>\$ 123,341,708</b>	<b>\$ 715,315</b>	<b>\$ 127,300,421</b>
<b>Future Interest commitments:</b>				
2018	\$138,491	\$ 5,013,288	\$ 27,877	\$ 5,179,656
2019	119,993	4,834,476	15,809	4,970,278
2020	100,556	4,663,345	3,216	4,767,117
2021	80,565	4,490,951		4,571,516
2022	60,218	4,310,898		4,371,116
2023 – 2027	88,396	18,842,617		18,931,013
2028 – 2032		14,287,611		14,287,611
2033 – 2037		9,163,502		9,163,502
2038 – 2042		3,532,583		3,532,583
2043 – 2045		244,975		244,975
<b>Total future interest requirements</b>	<b>\$588,219</b>	<b>\$69,384,246</b>	<b>\$46,902</b>	<b>\$70,019,367</b>

## 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	\$22,281,262	\$5,529,437	\$1,474,776	\$2,756	\$115,824		\$29,404,055
Research	149,562	8,300	136,891		6,744		301,497
Public service	246,521	104,468	236,505		(1,367)		586,127
Academic support	5,096,671	1,108,846	1,651,681		1,172,727		9,029,925
Student services	4,301,533	1,090,850	2,544,845		131,521		8,068,749
Institutional support	4,731,622	2,316,397	2,735,158		77,558		9,860,735
Plant – operation & maintenance	1,820,330	1,214,656	1,571,922	2,878,551	123,987		7,609,446
Depreciation						9,611,959	9,611,959
Student aid	427,899	13,805	281,559		3,176		726,439
Operation of Higher Ed Centers	298,487	104,366	825,507	66,381	129,224		1,423,965
Museum & cultural Services	575,119	107,268	77,175	43,789	726		804,077
Historic attraction Management	250,002	75,885	35,779	6,326	2,188		370,180
Auxiliary activities	7,729,776	2,236,630	19,039,026	19,346	85,793		29,110,571
<b>Total Expenses</b>	<b>\$47,908,784</b>	<b>\$13,910,908</b>	<b>\$30,610,824</b>	<b>\$3,017,149</b>	<b>\$1,848,101</b>	<b>\$9,611,959</b>	<b>\$106,907,725</b>

## 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 665:

Educational and general programs	\$25,533,908
Student financial assistance	3,300,386
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	(99,044)
Employee health insurance	291,450
Employee retiree healthcare credit contribution rate change	25,788
Employee group life sickness and disability	22,332
Virtual Library of Virginia (VIVA) allocation	12,939
Virginia DOE special education teacher support and pathways to excellence	38,184
Va. Military Survivors & Dependent Education Program	45,225
Two-year college transfer grant	35,330
VITA services usage	13,634
Equipment Trust Fund debt transfer	(97,063)
Out of state adjustment	(222,750)

**State Appropriations**

Reversion	(59,509)
State appropriation revenue, adjusted	\$30,845,875

**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, 2017, include:

**Capital commitments by project**

Jepson Science Center renovation	\$694,243
Maintenance Reserve	422,260
Residence Halls	193,333
Battleground Improvements	55,918
Amphitheatre renovation	75,695
Dahlgren	45,838
University Center	32,286
Woodard	22,095
Total capital commitments	\$1,541,668

In addition, \$17,756 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 space, primarily buildings for office space. 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 has been extended through June 2019. Rental expense was \$5,253 for the year ended June 30, 2017.

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 \$16,108 for the year ended June 30, 2017.

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 \$87,299 for the fiscal year ended June 30, 2017.

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. In September 2013, the University entered into a Deed of Parking lease agreement with the UMW Foundation. This lease has a 5 year term. 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 5 year term. In September 2014, the University entered into a lease for a house near the Stafford Campus. This lease has a 5 year term. Rental expense on all these leases was \$664,959 for the year ended June 30, 2017.

The University has, as of June 30, 2017, the following future minimum rental payments due under the above leases:

**Future minimum operating lease payments**

Year ending June 30, 2018	\$ 749,707
Year ending June 30, 2019	666,659
Year ending June 30, 2020	557,076
Year ending June 30, 2021	477,716
Year ending June 30, 2022	159,404
Total	\$2,610,562

**13. CONTRIBUTIONS TO PENSION PLANS**

**Virginia Retirement System**

All full-time, salaried permanent employees of state agencies are 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 single-employer plans treated as cost-sharing plans for financial reporting purposes. 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.

<b>RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> 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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> 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. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member</li> </ul>

		<p>and employer contributions made to the plan and the investment performance of those contributions.</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> 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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p><b>Eligible Members</b> 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.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• State employees*</li> <li>• 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</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the Virginia Law Officers’ Retirement System (VaLORS)</li> </ul> <p>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.</p>

<p><b>Retirement Contributions</b>  State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>  State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b>  A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>  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.</p>	<p><b>Creditable Service</b>  Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>  Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contributions Component:</b></u>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

<p><b>Vesting</b>  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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <b><u>Defined Benefit Component:</u></b>  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.</p> <p><b><u>Defined Contributions Component:</u></b>  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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
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<p><b>Calculating the Benefit</b> 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.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under Plan 1</p> <p><b><u>Defined Contribution Component:</u></b> 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.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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%.</p> <p><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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.</p> <p><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 2.00%.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>
<p><b>Normal Retirement Age</b> <b>VRS:</b> Age 65.</p> <p><b>VaLORS:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> Same as Plan 2.</p> <p><b>VaLORS:</b> Not applicable.</p>

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

<p><b><u>Eligibility:</u></b>  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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b><u>Eligibility:</u></b>  Same as Plan 1</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1</p>	<p><b><u>Eligibility:</u></b>  Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2.</p>
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<p><b>Disability Coverage</b> 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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> 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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

### Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2017 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The contribution rates for the VRS State Employee Retirement Plan and for the VaLORS Retirement Plan also reflect transfers in June 2016 of \$162,406,273 and \$16,491,559 respectively as accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$3,168,712 and \$3,234,252 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions from the University to the VaLORS Retirement Plan were \$160,723 and \$130,260 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the University reported a liability of \$38,938,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$1,545,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, UMW's proportion of the VRS State Employee Retirement Plan was 0.59080% as compared to 0.61197% at June 30, 2015. At June 30, 2016, the University's proportion of the VaLORS Retirement Plan was 0.19959% as compared to 0.18472% at June 30, 2015.

For the year ended June 30, 2017, the University recognized pension expense of \$2,430,000 for the VRS State Employee Retirement Plan and \$169,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, 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, 2017, 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	\$167,000	\$ 1,060,000	\$ 7,000	\$ 4,000
Changes in assumptions	0	0	0	0
Net difference between projected and actual earnings on pension plan investments	2,482,000	0	63,000	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	0	1,490,000	77,000	15,000
Employer contributions subsequent to the measurement date	3,168,712	0	160,723	0
<b>Total</b>	<b>\$5,817,712</b>	<b>\$2,550,000</b>	<b>\$307,723</b>	<b>\$19,000</b>

\$3,329,435 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, 2018. 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, 2018	\$ (970,000)	\$ 23,000
June 30, 2019	(878,000)	34,000
June 30, 2020	931,000	46,000
June 30, 2021	1,016,000	25,000
<b>Total</b>	<b>\$99,000</b>	<b>\$ 128,000</b>

### Actuarial Assumptions

Total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

### Mortality rates:

#### Pre-Retirement:

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

#### Post-Retirement:

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

#### Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

**Inflation** 2.5%

**Salary increases, including inflation** 3.5% - 4.75%

**Investment rate of return** 7.0% , net of pensions plan investment expense, including inflation\*

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

**Mortality rates:**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

### Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$22,958,593	\$1,985,618
Plan Fiduciary Net Position	16,367,842	1,211,446
Employers' Net Pension Liability	<b>\$ 6,590,751</b>	<b>\$ 774,172</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%	61.01%

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

### Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.0%	(1.5)%	(0.02)%
Total	100.00%		5.83%
Inflation			2.50%
*Expected arithmetic nominal return			8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the 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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$54,799,000	\$38,938,000	\$25,623,000
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	2,068,000	1,545,000	1,114,000

### **Pension Plan Fiduciary Net Position**

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017, the University's VRS and VaLORS payables were \$147,423 and \$11,857 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 \$1,837,005 for fiscal year 2017. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$18,863,660 for 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 \$179,617 for fiscal year 2017.

## 14. POST-EMPLOYMENT BENEFITS

The Commonwealth sponsors post-employment benefit programs that are administered by the Virginia Retirement System. These programs, a statewide group life insurance program and the Virginia Sickness & Disability program's long-term care plan, provide post-employment benefits to eligible retired and terminated employees. Health care credits are also provided to offset the monthly health insurance premiums of its retirees who have at least 15 years of service. Information related to these plans is available at the statewide level in the Commonwealth's *Comprehensive Annual Financial Report*.

## 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, 2017, the University estimates that no material liabilities will result from such audits or questions.

### Pending Litigation

A valid notice of claim against the University has been filed with Virginia's Department of Risk Management, and the matter has been referred to the Commonwealth's Office of the Attorney General. The final outcome cannot be determined at this time. However, based on information received from the Office of the Attorney General related to the claim along with guidance from the GASB, a loss contingency of \$1 million has been accrued and is reflected in *Long-term liabilities – noncurrent portion* on the University's *Statement of Net Position*.

## 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, 2017 were \$94,503 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, 2017 were \$674,694. This is included in "Due to 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, 2016, \$1,440,550 has been advanced per the agreement and is included in "Due from Foundation, noncurrent notes receivable" 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 reports of other auditors at and for the year ended June 30, 2017.

### University of Mary Washington Alumni Association

Assets:	
Cash and investments	\$ 92,480
Other assets	8,777
Total assets	101,257
Liabilities and net assets:	
Due to UMW Foundation	16,323
Accrued Accounts Payable	(90)
Total liabilities	16,233
Net assets	85,024
Total liabilities and net assets	101,257

The revenues and expenditures of the Alumni Association, determined as if in consolidation with the University, were \$702,065 and \$687,559 respectively, for the year ended June 30, 2017.

## 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, board designated net assets, restricted fund net assets, endowment funds, fair value measurements, and working capital contingencies 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, 2017. 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, 2017, is summarized below:

	Market Value As of June 30, 2017
<b>UMW Foundation Investments</b>	
Cash and money market funds	\$ 1,156,654
US Treasury Securities	5,378,718
Corporate and government bonds	5,516,254
Equities	8,491,434
Mutual funds	13,861,580
Investments measured at net asset value per share	7,599,400
	<hr/>
Total Investments	<b>\$ 42,004,040</b>

Investment income includes the following components for the year ended June 30, 2017:

<b>UMW Foundation Investment Income</b>	
Interest and dividends	\$ 689,895
Unrealized gain (loss)	2,963,008
Realized gain	697,014
	<hr/>
Investment income(loss)	<b>\$ 4,349,917</b>

The Foundation is the remainder beneficiary and trustee of twenty-eight charitable gift annuities dated 1991 to 2017. These agreements provide fixed annual payments to the original donor or a designated beneficiary and are paid either monthly or quarterly. Total annuity payments in 2017 were \$107,648.

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.

## Pledges and Loans Receivable

In order to simplify its accounting process for pledges receivable, the Foundation has elected to record all pledges receivable at fair value. The fair value adjustment for 2017 was \$94,324. No changes in the fair value measurement were attributable to instrument specific credit risk.

UMW Foundation had unconditional pledges receivable consisting of the following at June 30, 2017:

<b>Pledges Receivable</b>	
Pledges due within one year	\$1,012,076
Pledges due in two to five years	1,123,741
Thereafter	12,400
Total receivables before discount	<hr/> 2,148,217
Less: discounts to net present value (using a discount rate of 5%)	(97,602)
	<hr/>
Pledges receivable – net	<b>\$2,050,615</b>

The Foundation has a loan receivable of \$75,000 due from a former key employee of the University. No payments were received in 2017. 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 2017. The remaining unpaid principal of \$89,563 is included in tenant receivables as of June 30, 2017.

## Capital Assets

A summary of changes in capital asset categories of the UMW Foundation for the year ended June 30, 2017, is presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	\$33,910,851	2		\$33,910,851
Artwork and antiques	303,838			303,838
Construction in progress				
<b>Total non-depreciable capital assets</b>	<b>34,214,689</b>	<b>2</b>		<b>34,214,691</b>
Depreciable capital assets:				
Buildings	110,635,132	665,676	(76,022)	111,224,786
Equipment	4,300,834	293,511		4,594,345
Improvements other than buildings	1,589,763	8,653		1,598,416
<b>Total depreciable capital assets at historical cost</b>	<b>116,525,729</b>	<b>967,840</b>	<b>(76,022)</b>	<b>117,417,547</b>
Less accumulated depreciation for:				
Buildings	19,279,183	2,972,483	(15,934)	22,235,732
Equipment	1,732,054	532,596		2,264,650
Improvements other than buildings	403,058	117,551		520,609
<b>Total accumulated depreciation</b>	<b>21,414,295</b>	<b>3,622,630</b>	<b>(15,934)</b>	<b>25,020,991</b>
<b>Depreciable capital assets, net of depreciation</b>	<b>95,111,434</b>	<b>(2,654,790)</b>	<b>(60,088)</b>	<b>92,396,556</b>
<b>Total capital assets, net of depreciation</b>	<b>129,326,123</b>	<b>(2,654,788)</b>	<b>(60,088)</b>	<b>126,611,247</b>

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, 2017:

Accounts Payable	
Accounts payable	\$ 512,028
Accrued interest	426,312
Deferred compensation liability	25,000
<b>Total accounts payable</b>	<b>\$963,340</b>

Eagle Hospitality, LLC entered into an operating agreement with an equity investing minority partner to fund a portion of the equity requirement for the hotel. As of June 30, 2014, the University of Mary Washington Foundation and the minority partner had fully funded their commitments of \$3,250,000 and \$670,000, respectively. Eagle Property Holdings funded \$4,949,894 of ownership commitments at June 30, 2017. As of June 30, 2014, the University of Mary Washington Foundation had fully funded their ownership commitment of \$3,250,000. The net result of the minority partner equity transactions is shown on the consolidated statement of financial position as non-controlling interest in division. As of June 30, 2017 the non-controlling interest in division was \$434,168. During the year ended June 30, 2017, losses of \$42,850, \$341,497, and \$198,184 were allocated to the minority partner, Eagle Property Holdings, and the University of Mary Washington Foundation, respectively. Within the operating agreement, the minority partner is entitled to a preferred return equal to 7% per annum on unrecovered equity which is to be calculated quarterly. Under the operating agreement, the preferred return cannot be paid if the hotel is operating at a loss. Therefore, this return is a liability and included in accounts payable and accrued expenses on the statement of net position in the amount of \$168,058 as of June 30, 2017.

## 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% (4.125% as of June 30, 2017) 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.

#### *Series 2013 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. 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% (2.68% at June 30, 2017). Bond issuance costs of \$161,287 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, 2016:

<b>Bonds Payable</b>	<b>Interest Rates</b>	<b>Maturity</b>	<b>Outstanding Balance</b>
2007 Bonds, net of unamortized discount	variable 4.125% at June 30	2037	\$ 2,050,000
2013 Bonds	variable 1.77% at June 30	2018	78,080,000
<b>Total Bonds Payable</b>			<b>\$80,130,000</b>

## 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, 2017 is \$1,440,550.

### *Refunding and refinancing Series 2008 and 2009 bonds*

In July 2015, the 2012 taxable loan with the Bank of America was refinanced to extend the maturity date to July 1, 2018. 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, 2017:

<b>Loans Payable</b>	<b>Interest Rates</b>	<b>Maturity</b>	<b>Outstanding Balance</b>
Eagle Housing, LLC, taxable loan, secured by deed of trust, Assignment of rents and leases, guarantee by the Foundation and a Support Agreement between the Foundation and University. Eagle Village I, LLC, Eagle Village-Roger Dodger, LLC, and Snowden Street, LLC are co-borrowers	variable, 2.53% at June 30	2018	\$38,235,000
Eagle Hospitality, LLC, construction and term loan secured by a deed of trust, assignment of rents, and a guarantee by the Foundation	5.25%	2039	8,686,448
UMW Foundation \$1,600,000 promissory note with the University of Mary Washington	0.0%	2020	1,440,550
Eagle Pizza, LLC \$1,500,000 promissory note secured by a deed of trust, and assignment of rents and leases, and a guarantee by the Foundation	4.25%	2020	1,379,876
Academic Village, LLC promissory note secured by a deed of trust, assignment of rents and leases, and a Support Agreement between the Foundation and the University	4.24%	2018	690,941
Transitional Properties, LLC promissory note secured by a deed of trust, assignment of rents and leases, guarantee by the Foundation and a Support Agreement with the University	3.99%	2019	194,676
Mortgage note secured by property	5.5%	2028	253,683
Foundation, Eagle Housing, LLC, Eagle Village, LL, Eagle Village-Rodger Dodger, LLC and Snowden Street, LLC promissory note for insurance, secured by a security interest in unearned insurance premiums and loss payments	4.59%	2017	63,118
Loan payable, non-interest bearing, secured by a vehicle		2021	13,799
<b>Total Notes Payable</b>			<b>\$50,958,091</b>

Annual debt service requirements

	Bonds Payable	Loans Payable	Total Long-Term Debt
Future principal commitments:			
2018	\$ 795,000	\$ 806,111	\$ 1,601,111
2019	77,410,000	38,774,137	116,184,137
2020	65,000	3,139,518	3,204,518
2021	70,000	265,093	335,093
2022	70,000	277,277	347,277
Thereafter	1,720,000	7,695,955	9,415,955
Total future principal requirements	\$80,130,000	\$50,958,091	\$131,088,091

Deferred Financing Costs

Financing costs of \$650,666 are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at June 30, 2017 was \$466,947.

Debt Related Derivative Instruments

Eagle Housing, LLC has entered into interest rate swap agreements in order to convert variable-rate taxable loan and Series 2013 bond debt to a fixed rate. A summary of the interest rate swap contracts at June 30, 2017 follows:

Notional Amount	Interest Rate	Effective Date	Expiration Date	Fair Value
\$69,795,000	3.604%	09/01/2014	09/01/2041	\$(18,860,468)
7,080,000	3.280%	04/01/2014	04/01/2029	(803,883)

Restricted Deposits and Funded Reserves

In accordance with the bond and loan agreements, the Foundation has the following restricted deposits and funded reserves which are held by Trustees of the Series 2013 bonds.

All are cash and cash equivalents:

Restricted Deposits and Funded Reserves	
Debt Service Reserve Fund	\$ 3,234,914
Bond Principal Fund	1,160,582
Repair & Replacement Reserve Fund	872,371
Tenant Improvement & Leasing Commissions Reserve	93,342
Interest Reserve Fund	18,256
<b>Total</b>	<b>\$ 5,379,465</b>

## Related Party Transactions

The Foundation has an agreement to give the University of Mary Washington Alumni Association annually 20% of unrestricted alumni gifts, with a minimum of \$50,000 each year. For 2017, the Foundation gave the Alumni Association \$149,192. 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 \$12,998 at June 30, 2017.

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, 2017.

The Foundation and Eagle Developers, LLC agreed to manage the development of a campus center for the University. Under the agreement, the Foundation incurs all costs related to development and is being reimbursed by the University. The project was substantially completed during 2016.

## 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, 2017:

<b>Future Minimum Operating Lease Payments</b>	
2018	\$ 2,770,034
2019	2,539,087
2020	2,305,232
2021	1,769,716
2022	1,019,341
Thereafter	2,356,380
<b>Total</b>	<b>\$12,759,790</b>

Included in the future payments above are multiple lease agreements between the University and the Foundation with approximately \$2,400,000 in future minimum rentals at June 30, 2017.

## 20. SUBSEQUENT EVENTS

On September 15, 2017, UMW's Board of Visitor passed a resolution to permit officers of the University to participate in the Fall 2017 Virginia College Building Authority bond program to obtain \$24.5 million from 9(d) bonds to renovate Willard Hall.

## REQUIRED SUPPLEMENTARY INFORMATION

The following table reflects the University's share of net pension liability for the years ended June 30, 2017, 2016 and 2015 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

	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.59080%	0.61197%	0.62172%
Employer's proportionate Share of the Net Pension Liability	\$38,938,000	\$37,469,000	\$34,806,000
Employer's Covered-Employee Payroll	\$22,744,510	\$23,541,763	\$23,883,968
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its covered-Employee Payroll	171.20%	159.16%	145.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%	72.81%	74.28%

*Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional 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, 2017, 2016, and 2015 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

	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.19959%	0.18472%	0.18754%
Employer's proportionate Share of the Net Pension Liability	\$1,545,000	\$1,312,000	\$ 1,264,000
Employer's Covered-Employee Payroll	\$ 802,036	\$ 633,293	\$ 664,331
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its covered-Employee Payroll	192.63%	207.17%	190.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.01%	62.64%	63.05%

*Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional 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, 2017.

**Schedule of Employer Contributions  
VRS State Employee Retirement Plan  
For the years ended June 30, 2015 through 2017**

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$3,050,159	\$3,050,159	\$ 0	\$22,744,510	13.41%
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 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.*

**Schedule of Employer Contributions  
VaLORS Retirement Plan  
For the years ended June 30, 2015 through 2017**

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
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 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.*

***Changes of benefit terms***

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

***Changes of assumptions***

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

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

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

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

## UNIVERSITY OFFICIALS

### Board of Visitors at June 30, 2017

Fred M. Rankin III, Rector  
Kenneth J. Lopez '92, Vice Rector  
Heather M. Crislip '95, Secretary

Sharon Bulova  
Holly T. Cuellar '89  
Carlos Del Toro  
Edward B. Hontz  
R. Edward Houck  
Davis C. Rennolds '06  
Lisa D. Taylor '85  
Rhonda S. VanLowe  
Deirdre Powell White '91

### University Leadership

Troy D. Paino  
President

Richard R. Pearce  
Vice President for Administration and Finance  
and Chief Financial Officer

Allyson P. Moerman  
Associate Vice President for Finance

Tera Kovanes  
Director of Internal Audit