Old Dominion University
Financial Statements

June 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Old Dominion University is a comprehensive, multicultural, and student-centered doctoral research university whose central mission is to provide students with the best education possible. The University's seven colleges--Arts and Letters, Business, Continuing Education and Professional Development, Education, Engineering and Technology, Health Sciences and Sciences--offer 75 baccalaureate programs, 54 master's programs, two education specialist programs, 42 doctoral programs and an award-winning distance learning program. The University provides a world-class education to more than 24,600 undergraduate and graduate students from all 50 states and 105 countries and has a strong global network of 124,000 alumni.

The University's local, regional and national impact continues to grow. Our entrepreneurial approach drives research and collaboration, and as measured by the Virginia Business Higher Education Council, the University contributes $2.1 billion annually to the Hampton Roads economy. Old Dominion University is one of the largest generators of new jobs in the region. Not only do we educate the workforce of tomorrow, but Old Dominion University's Veterans Business Outreach Center is taking a leading role in training veteran entrepreneurs and retaining veteran-owned small business enterprises in our region. The University is also committed to providing research-driven solutions. Our world-class researchers partner with business, industry, government and investment leaders to create answers for society's most pressing challenges. Old Dominion University has made great strides in advancing research and innovation, including our internationally renowned areas of strength in modeling and simulation, bioelectrics, maritime, ports and logistics, nanotechnologies, sea level rise and alternative energies. Currently we are working on more than 400 projects at our 26 research centers across the state. These initiatives, such as Old Dominion's modeling and simulation, not only fill a vital need in the workforce, but they are propelling job creation and economic growth by tying in nicely into regional strengths—federal labs, the port, military, Chesapeake Bay and health care.

As an agency of the Commonwealth of Virginia, Old Dominion is included as a component unit in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The 17 members of Old Dominion University's Board of Visitors, whom are appointed by the Governor of Virginia, govern University operations.

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Old Dominion 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, 2016. Note that although the University's foundations, identified as component units under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, are reported in the financial statements, they are excluded from this MD&A, except where specifically noted. Comparative numbers, where presented, are for the fiscal year ended June 30, 2015. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, Notes to the Financial Statements, and other supplemental information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The three basic 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. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

Statement of Net Position

The Statement of Net Position presents the University's assets, deferred outflows, liabilities, deferred inflows and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a snapshot of the University's financial position at year end. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. It also allows readers to determine how much the University owes vendors and creditors.

Net position is divided into three major categories. The first category, net investment in capital assets, depicts the University's equity in property, plant, and equipment owned by the University. The next category is restricted which is divided into two categories in the financial statements, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the University's permanent endowment funds and is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on them. The final category is unrestricted net position which is available to the institution for any lawful purpose of the institution.

Condensed Summary of Net Position
(amounts in thousands)

	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase / (Decrease)	Percent Change
Assets and deferred outflows:				
Current	$ 137,503	$ 122,916	$ 14,587	11.9 %
Capital, net of accumulated depreciation	628,523	588,289	40,234	6.8 %
Other noncurrent	59,302	71,760	(12,458)	-17.4 %
Deferred outflows of resources	27,136	22,293	4,843	21.7 %
Total assets & deferred outflows	852,464	805,258	47,206	5.9 %
Liabilities and deferred inflows:				
Current	84,712	74,501	10,211	13.7 %
Noncurrent	364,904	367,606	(2,702)	-0.7 %
Deferred inflows of resources	9,252	20,052	(10,800)	-53.9 %
Total liabilities & deferred inflows	458,868	462,159	(3,291)	-0.7 %
Net position:				
Net investment in capital assets	393,823	358,060	35,763	10.0 %
Restricted	30,062	29,547	515	1.7 %
Unrestricted	(30,289)	(44,508)	14,219	31.9 %
Total net position	$ 393,596	$ 343,099	$ 50,497	14.7 %

Total University assets and deferred outflows of resources increased by $47.2 million or 5.9% bringing the total to $852.5 million at fiscal year end 2016. The growth in current assets of $14.6 million or 11.9% was a result of an increase in auxiliary cash and advance vendor payments. Capital, net of accumulated depreciation, increased $40.2 million or 6.8% primarily due to the ongoing construction of the New Education Building and Student Dining Facility. Other noncurrent assets decreased $12.5 million or 17.4% largely due to the utilization of bond proceeds for construction projects. The increase in deferred outflows of $4.8 million or 21.7% was a result of debt refundings and pension-related transactions.

Total liabilities and deferred inflows of resources decreased $3.3 million or 0.7%. Current liabilities increased $10.2 million or 13.7% primarily due to the timing of payments for goods or services and construction projects, along with increases in other current liabilities offset by a decrease in the Securities Lending Program. Noncurrent liabilities decreased by $2.7 million or 0.7% as a result of the normal payment of debt along with debt refundings offset by an increase in net pension liability. Deferred inflows of resources decreased $10.8 million or 53.9% as result of pension-related transactions.

The increase in total assets and deferred outflows of $47.2 million coupled with the decrease in total liabilities and deferred inflows of $3.3 million resulted in an overall increase in the University's financial position over the prior fiscal year of $50.5 million or 14.7%. The University remained strong even after recording the net pension liability of $126.6 million. The growth in the overall net position reflects the University's continued investment in facilities and equipment in support of the University's mission as well as prudent management of the University's fiscal resources.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University during the fiscal year.

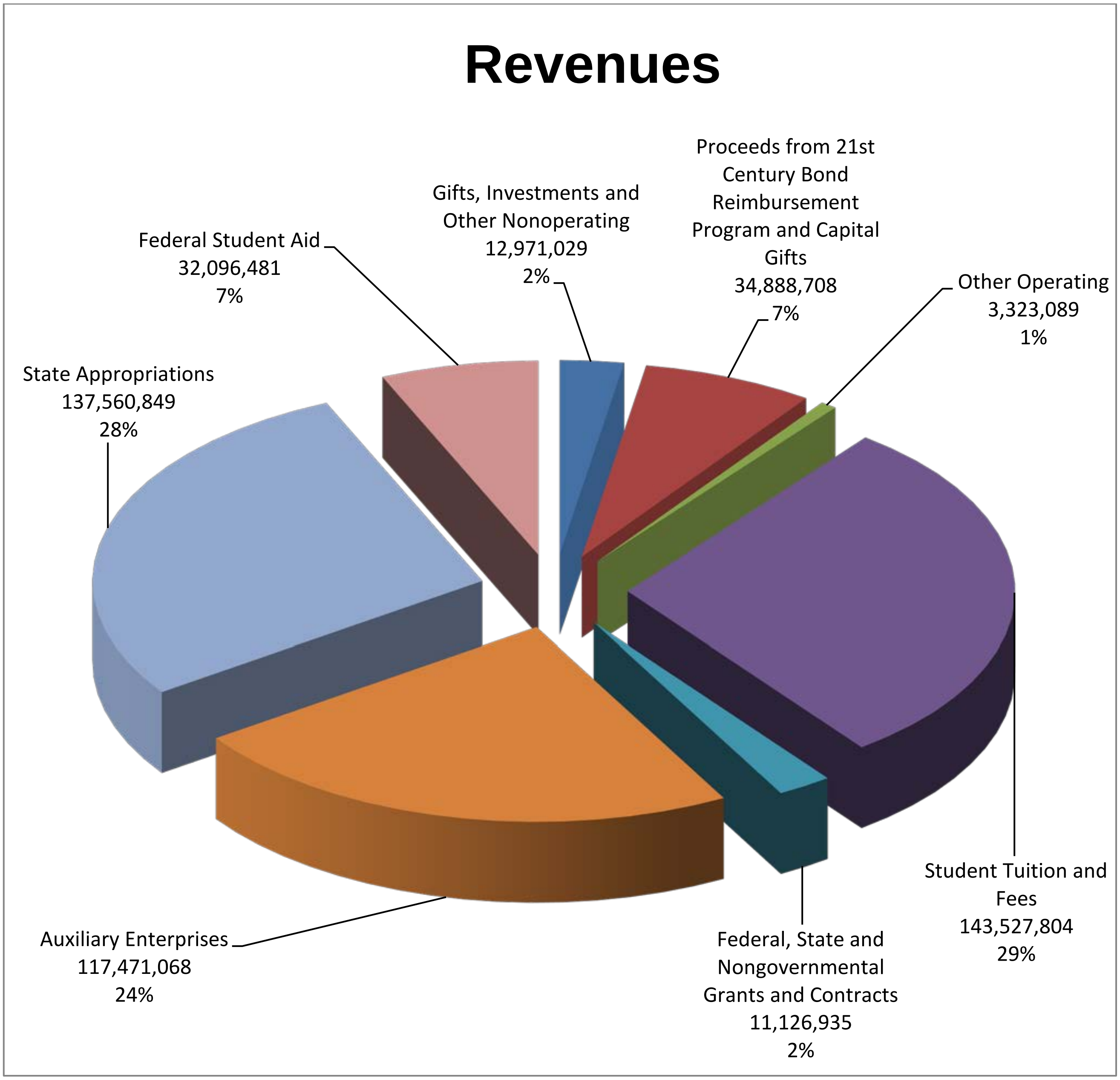
Generally, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Salaries and fringe benefits for faculty and staff are the largest type of operating expense.

Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

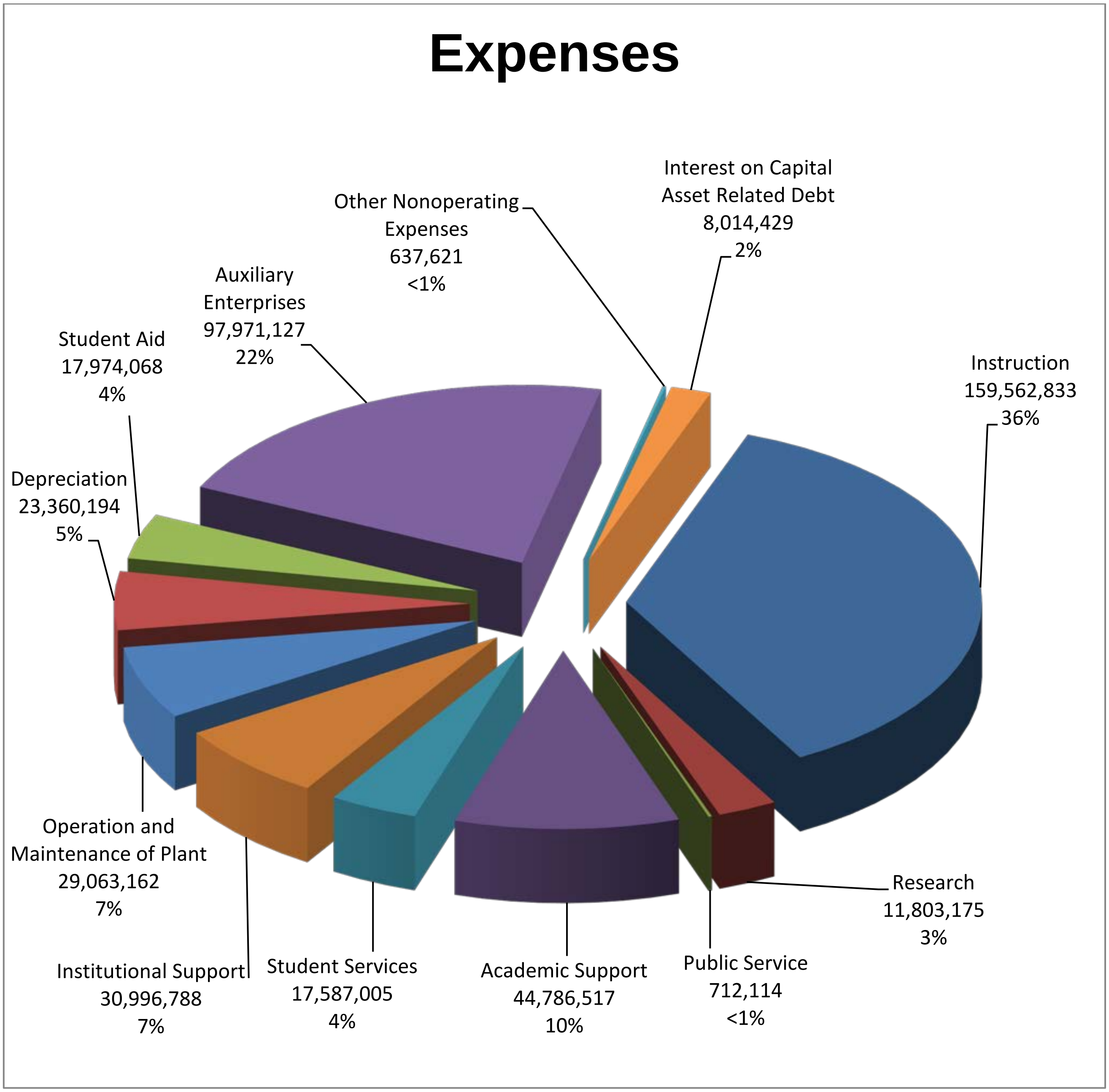
Condensed Summary of Revenues, Expenses and Changes in Net Position

(amounts in thousands)

	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase / (Decrease)	Percent Change
Operating revenues:				
Student tuition and fees	$ 143,528	$ 139,947	$ 3,581	2.6 %
Federal grants and contracts	7,900	6,533	1,367	20.9 %
State, local & nongovernmental grants	3,227	3,159	68	2.2 %
Auxiliary enterprises	117,471	105,472	11,999	11.4 %
Other operating revenues	3,323	4,342	(1,019)	-23.5 %
Total operating revenues	275,449	259,453	15,996	6.2 %
Operating expenses:				
Instruction	159,563	154,666	4,897	3.2 %
Research	11,803	10,683	1,120	10.5 %
Public service	712	743	(31)	-4.2 %
Academic support	44,787	43,381	1,406	3.2 %
Student services	17,587	16,446	1,141	6.9 %
Institutional support	30,997	27,186	3,811	14.0 %
Operation and maintenance	29,063	27,531	1,532	5.6 %
Depreciation	23,360	23,577	(217)	-0.9 %
Scholarships and fellowships	17,974	17,780	194	1.1 %
Auxiliary activities	97,971	88,832	9,139	10.3 %
Total operating expenses	433,817	410,825	22,992	5.6 %
Operating loss	(158,368)	(151,372)	(6,996)	-4.6 %
Net nonoperating revenues and expenses	173,793	164,480	9,313	5.7 %
Income before other revenues/ (expenses)/gains/(losses)	15,425	13,108	2,317	17.7 %
Net other revenues and expenses	35,072	22,966	12,106	52.7 %
Increase in net position	50,497	36,074	14,423	40.0 %
Net position - beginning of year	343,099	427,596	(84,497)	-19.8 %
Net effect of change	-	(120,571)	120,571	100.0 %
Net position - beginning of year as restated	343,099	307,025	36,074	11.7 %
Net position - end of year	$ 393,596	$ 343,099	$ 50,497	14.7 %



Total operating revenues, which grew $16.0 million or 6.2%, are primarily comprised of student tuition and fees and auxiliary enterprise revenue. Student tuition and fees increased $3.6 million or 2.6% and auxiliary enterprise revenue increased $12.0 million or 11.4% from the prior fiscal year. The growth in tuition and fee revenue was due to the rise in both in-state and out-of-state tuition rates and the auxiliary revenue increase was due to an increase in fees and renegotiation of contracts. In addition, the University received increased funding from federal, state and local grants. Nonoperating revenue increased $8.5 million or 4.9% as a result of increases in State Appropriations and Pell grant revenue and gifts. Finally, other revenues increased $11.4 million or 48.8% as a result of reimbursements from the 21st Century Bond Program.



Operating expenses increased by $23.0 million or 5.6% primarily due to salary increases along with promotions for retention efforts to retain well qualified faculty. Further, there were new faculty positions created to support critical and high demand academic programs and to continue to improve student faculty ratios. Increased expenses were also incurred in support of research initiatives, and there were mandatory cost increases related to health care costs and retirement contributions. In addition, there were increases in support of contractual obligations, leases, and the operation and maintenance of new facilities.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and provides detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees ($164.8 million) and auxiliary enterprises ($133.4 million). The primary uses are payments to employees including salaries, wages, and fringe benefits ($251.8 million) and payments to vendors ($107.2 million).

The second section presents cash flows from non-capital financing activities and reflects nonoperating sources and uses of cash primarily to support operations. The largest sources are state appropriations ($136.8 million) and gifts and grants ($45.3 million).

The third section represents cash flows from capital financing activities and details the activities related to the acquisition and construction of capital assets including related debt payments. The primary source of funds is bond proceeds from reimbursements from the Commonwealth ($27.5 million) and capital gifts ($7.6 million). The primary uses are purchases of capital assets ($53.6 million) and principal and interest payments on capital debt ($25.6 million).

The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments. The primary source was interest on investments ($0.4 million). The last section, which is not included below, reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Summary of Cash Flows
(amounts in thousands)

	Year ended June 30, 2016	Year ended June 30, 2015	Increase / (Decrease)	Percent Change
Cash flows from operating activities	$ (135,568)	$ (131,432)	$ (4,136)	-3.1 %
Cash flows from non-capital financing activities	182,318	172,682	9,636	5.6 %
Cash flows from capital financing activities	(44,020)	(2,880)	(41,140)	-1428.5 %
Cash flows from investing activities	422	234	188	80.3 %
Net change in cash	$ 3,152	$ 38,604	$ (35,452)	-91.8 %

Capital Asset and Debt Administration

The University continues to maintain and upgrade current structures, as well as adding new facilities. Investment in the development and renewal of capital assets is one of the key factors in sustaining the high quality of the University's academic, research, and residential life functions. Overall, funds invested in capital assets reflect the ongoing campus construction as indicated in Note 5. Capital asset additions for June 30, 2016 include increases of $6.0 million in buildings and $6.0 million in equipment.

Several new and ongoing capital projects were added and completed during the fiscal year which resulted in a net increase in construction in progress of $49.0 million. New additions to construction in progress include the new education building, dining hall, basketball practice facility, and Powhatan Sports Center. Renovations to existing facilities were completed and added to buildings. Projects were financed through issuance of General Obligation and revenue bonds and receipt of capital gifts.

Financial stewardship requires effective management of resources, including the use of long-term debt to finance capital projects. The University's long-term debt decreased $15.5 million as reflected in Notes 7 and 8. The decrease is mostly the result of refunding of existing debt and normal payments towards current debt.

Uncompleted construction and other related contractual commitments decreased from $43.6 million at June 30, 2015 to $9.7 million at June 30, 2016, as reflected in Note 12. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements. The decrease is primarily the result of continued construction of the new education building and campus dining hall.

Economic Outlook

The passage of the Virginia Higher Education Opportunity Act by the 2011 Session of the General Assembly speaks to the importance of policy goals of increasing accessibility and enrollments in high-demand disciplines such as Science, Technology, Engineering, and Mathematics (STEM) and the number of restructuring initiatives to enhance progress in promoting higher education opportunities. Old Dominion ranks third in the production of STEM programs. To further assess institutional performance, Chapter 2, 2014 Virginia Acts of Assembly, Special Session I included a requirement in the General Provisions to assess and certify institutional performance annually on several financial and administrative standards. The State Council of Higher Education (SCHEV) recently certified that Old Dominion University passed all the standards. Financial benefits provided to each institution will be evaluated in light of the institution's performance. While all Virginia universities are faced with the challenge of containing costs through business process improvements and efficiencies, they must also provide a quality education to students with limited state general fund support at affordable tuition prices. Old Dominion University's tuition and fees are the lowest of all the Virginia doctoral institutions.

Budget actions taken by the Governor and General Assembly during the 2016 session provided approximately $13.9 million in general and central funds for base adequacy and operating support; a portion of the salary and benefit increases for full-time faculty and staff; additional state supported need based financial aid; and funds for the creation of the Commonwealth Center for Recurrent Flooding Resiliency. An additional $2.3 million in tuition revenue was included in the 2016-2017 operating budget to cover a portion of the cost increases related to compensation and benefits, and mandatory operational cost increase for utilities and leases. The tuition revenue will also support the implementation of the goals of the University's 2014-2019 Strategic Plan as they relate to academic and research excellence, student success, quality of university life, community engagement and the promotion of an entrepreneurial culture.

Finally, the 2016-2017 budget included an additional $7.2 million in one-time funding for critical operations and support functions that will further strategic objectives of the University. These initiatives include academic and research-related technology and equipment support; academic and research excellence; student success and recruitment initiatives; and spending to enrich the quality of student life and community engagement.

Going forward, Old Dominion University will continue to manage its resources and position itself to continue its pursuit of excellence in teaching, research, entrepreneurism and public service.

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OLD DOMINION UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2016

	Old Dominion University	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents (Note 2)	$ 106,830,731	$ 13,562,409
Accounts receivable (Net of allowance for doubtful accounts $1,221,592) (Note 4)	17,251,841	14,884,546
Contributions receivable (Net of allowance for doubtful collections $2,025,691) (Note 11)	-	4,765,961
Due from the Commonwealth (Note 4)	6,378,937	-
Appropriations available	1,172,951	-
Travel advances	-	108,429
Prepaid expenses	4,210,582	602,223
Inventory	474,811	-
Notes receivable (Net of allowance for doubtful accounts $92,556)	1,183,026	-
Other assets	-	222,886
Total current assets	137,502,879	34,146,454
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	33,554,724	-
Endowment investments (Note 3)	4,391,041	-
Investments (Notes 2 and 11)	17,460,710	228,300,760
Accounts receivable	-	47,048,840
Contributions receivable (Net of allowance for doubtful collections $2,337,554) (Note 11)	-	6,917,672
Notes receivable (Net of allowance for doubtful accounts $324,914)	1,795,388	-
Nondepreciable capital assets (Notes 5 and 11)	109,678,656	22,850,017
Capital assets (Notes 5 and 11)	518,844,292	6,820,687
Other assets	2,100,000	-
Total noncurrent assets	687,824,811	311,937,976
Total assets	825,327,690	346,084,430
Deferred outflows of resources:		
Pension related (Note 13)	16,926,094	-
Loss on refunding of debt	10,210,231	-
Total deferred outflows of resources	27,136,325	-
Total assets and deferred outflows of resources	$ 852,464,015	$ 346,084,430
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	$ 48,041,464	$ 9,720,922
Due to affiliates	-	3,224,798
Unearned revenue	11,779,279	5,183,386
Obligations under securities lending (Note 2)	412,699	-
Deposits held in custody for others	2,664,904	36,166
Other liabilities	-	11,513,309
Line of credit	-	6,453,851
Long-term liabilities - current portion (Notes 7 and 11)	21,813,779	2,588,975
Total current liabilities	84,712,125	38,721,407
Noncurrent liabilities (Notes 7 and 11)	364,904,289	74,421,653
Total liabilities	449,616,414	113,143,060
Deferred inflows of resources:		
Pension related (Note 13)	9,252,000	-
Total liabilities and deferred inflows of resources	458,868,414	113,143,060
NET POSITION		
Net investment in capital assets	393,823,067	19,647,453
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,858,280	-
Permanently restricted	-	136,510,131
Expendable:		
Scholarships and fellowships	6,810,128	-
Research	3,013,572	-
Loans	3,230,866	-
Capital projects	600,304	-
Temporarily restricted	-	78,510,843
Departmental uses	11,548,852	-
Unrestricted	(30,289,468)	(1,727,057)
Total net position	$ 393,595,601	$ 232,941,370

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

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of $30,663,152)	$ 143,527,804	$ -
Gifts and contributions	-	10,766,555
Federal grants and contracts	7,899,972	-
State grants and contracts	769,605	-
Indirect cost	-	8,869,494
Sponsored research	-	40,864,657
Nongovernmental grants and contracts	2,457,358	-
Auxiliary enterprises (Net of scholarship allowances of $18,647,757)	117,471,068	-
Other operating revenues	3,323,089	8,918,966
Total operating revenues	275,448,896	69,419,672
Operating expenses:		
Instruction	159,562,833	2,418,866
Research	11,803,175	47,051,747
Public service	712,114	-
Academic support	44,786,517	7,180,823
Student services	17,587,005	-
Institutional support	30,996,788	13,785,149
Operation and maintenance	29,063,162	1,402,695
Depreciation	23,360,194	302,408
Student aid	17,974,069	4,232,129
Auxiliary activities	97,971,127	-
Total operating expenses	433,816,984	76,373,817
Operating (loss)	(158,368,088)	(6,954,145)
Nonoperating revenues (expenses):		
State appropriations (Note 10)	138,374,548	-
Pell grant revenue	32,096,481	-
Gifts	12,987,154	-
Investment income (Net of investment expenses of $220,718 and $1,081,009)	(139,910)	(1,109,771)
Other	72,617	-
Interest on capital asset-related debt	(8,014,429)	-
Payments to Commonwealth from state appropriations	(1,047,123)	-
Payments to Treasury Board	(374,473)	-
Payments to grantors	(162,251)	-
Net nonoperating revenues (expenses)	173,792,614	(1,109,771)
Income before other revenues, (expenses), gains, and (losses)	15,424,526	(8,063,916)
Proceeds from 21st Century bond reimbursement program	25,974,937	-
Capital gifts and grants	8,913,771	-
Capital appropriations	233,424	-
Gain on disposal of plant assets	41,942	28,488
Bond issuance expense	(100,897)	-
Build America bond interest	9,225	-
Contributions to permanent endowments	-	1,864,890
Total other revenues, (expenses), gains, and (losses)	35,072,402	1,893,378
Increase (decrease) in net position	50,496,928	(6,170,538)
Net position - beginning of year	343,098,673	239,111,908
Net position - end of year	$ 393,595,601	$ 232,941,370

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

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Student tuition and fees	$ 164,836,670
Grants and contracts	11,626,399
Auxiliary enterprises	133,377,129
Other receipts	3,984,377
Payments to employees	(192,838,721)
Payments for fringe benefits	(58,989,804)
Payments for services and supplies	(99,555,495)
Payments for travel	(7,611,197)
Payments for scholarships and fellowships	(75,948,191)
Payments for noncapitalized improvements and equipment	(14,198,246)
Loans issued to students	(746,213)
Collections of loans from students	495,016
Net cash used by operating activities	(135,568,276)
Cash flows from non-capital financing activities:	
State appropriations	136,836,333
Pell grant revenue	32,223,260
Gifts and grants for other than capital purposes	13,155,317
William D. Ford direct lending receipts	108,182,187
William D. Ford direct lending disbursements	(108,182,187)
PLUS loan receipts	17,735,724
PLUS loan disbursements	(17,735,724)
Refunded to federal government	(162,252)
Agency receipts	3,317,916
Agency payments	(3,052,712)
Net cash provided by non-capital financing activities	182,317,862
Cash flows from capital financing activities:	
Proceeds from 21st Century bond reimbursement program	27,453,050
Capital gifts	7,562,523
Proceeds from capital debt and investments	145,230
Purchase of capital assets	(53,552,091)
Principal paid on capital debt, leases and installments	(15,563,778)
Interest paid on capital debt, leases and installments	(10,064,498)
Net cash used by capital financing activities	(44,019,564)
Cash flows from investing activities:	
Interest on investments and cash management	422,243
Net cash provided by investing activities	422,243
Net change in cash	3,152,265
Cash and cash equivalents - beginning of the year	138,893,924
Less: Securities lending - Treasurer of Virginia	(2,073,433)
Cash and cash equivalents - beginning of the year	136,820,491
Cash and cash equivalents - end of the year	$ 139,972,756

RECONCILIATION OF STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION:

Statement of Net Position	
Cash and cash equivalents	$ 140,385,455
Less: Securities lending - Treasurer of Virginia	(412,699)
Net cash and cash equivalents	$ 139,972,756

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

Operating (loss)	$ (158,368,088)
Adjustments to reconcile net income/(loss) to net cash used by operating activities:	
Depreciation expense	23,360,194
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Receivables, net	(816,102)
Prepaid expenses	(2,011,247)
Inventory	27,485
Deferred outflows of resources related to pensions	(3,594,114)
Accounts payable and accrued expenses	(189,820)
Deposits	461,135
Unearned revenue	2,763,281
Net pension liability	13,599,000
Deferred inflows of resources related to pensions	(10,800,000)
Net cash used by operating activities	$ (135,568,276)

Non-cash investing, capital and financing activities:	
Securities lending	$ 412,699
Change in fair value of investments	$ (350,924)
Capitalization of interest expense	$ 1,312,875
Amortization of bond premium	$ 2,396,667
Amortization of deferred loss on refunding of debt	$ (1,119,750)
Change in receivables related to nonoperating income	$ 150,454

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Old Dominion University (the University) 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 which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The University includes all entities over which the University exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, the Old Dominion University Educational Foundation, the Old Dominion University Real Estate Foundation, the Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation (the Foundations) are included as component units of the University. These foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University.

The Educational and Real Estate Foundations receive, administer, and distribute gifts for the furtherance of educational activities and objectives of the University. During 2015, the Real Estate Foundation amended its articles of incorporation and bylaws thereby eliminating the significant control by the Education Foundation. Therefore, the financial statements of the Educational and Real Estate Foundation are no longer required to be consolidated. The Athletic Foundation receives, administers, and distributes gifts for the furtherance of educational and athletic activities of the University. For additional information on these foundations, contact Foundation Offices at 4417 Monarch Way, 4th Floor, Norfolk, Virginia 23529. The Educational, Real Estate, and Athletic Foundations have adopted December 31 as their year-end. All amounts reflected are as of December 31, 2015. The Research Foundation coordinates and accounts for substantially all grants and contracts awarded for research at the University. For additional information contact the Research Foundation at 4111 Monarch Way, Suite 204, Norfolk, Virginia 23508.

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

Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) in the Codification of Governmental Accounting and Financial Reporting Standards. The University follows accounting and reporting standards for reporting by special-purpose governments engaged only in business-type activities.

The Foundations are private, nonprofit organizations, and as such the financial statement presentation follows the recommendation of accounting literature related to nonprofits. As a result, reclassifications have been made to convert the Foundation's financial information to GASB format.

Basis of Accounting

For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, its statements have been presented using the economic resource measurement focus and the accrual basis of accounting; whereby, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. All intra-agency transactions have been eliminated.

Cash and Cash Equivalents

In accordance with the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

Investments

The University accounts for its investments at fair value and measures them by using the market approach valuation technique. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses and Changes in Net Position.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the federal, state, and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of allowance for doubtful accounts.

Prepaid Expenses

The University's prepaid expenses include memberships, subscriptions, maintenance and support, lease payments, and insurance payments for fiscal year 2017 that were paid in advance as of June 30, 2016.

Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market, and consist primarily of expendable supplies held for consumption.

Noncurrent Cash and Investments

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

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles, and infrastructure assets such as campus lighting. Capital assets generally are defined by the University as assets with an estimated useful life in excess of one year and an initial cost of $5,000 or more, except for computer software which is capitalized at a cost of $100,000. Other assets are recorded at actual cost or estimated historical cost if purchased or constructed, except for intra-entity purchases which are recorded at the transferor's carrying value. Library materials are valued using published average prices for library acquisitions. Donated capital assets are recorded at the acquisition value at the date of donation, with the exception of intra-entity capital asset donations which, in accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of $1,312,875 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2016. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. 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 estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	5-50 years
Other improvements and infrastructure	2-30 years
Equipment	2-25 years
Library materials	5 years
Intangible assets	3-25 years

Noncurrent Other Assets

Other assets represent Board approved investment in the Real Estate Foundation of $2,100,000 for the purpose of acquiring land for the University Village project.

Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned but not taken as of June 30, 2016. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

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 contribution) are recognized when due and payable in accordance with the benefit terms.

Unearned Revenue

Unearned revenue primarily includes amounts received for tuition and fees and certain auxiliary activities and advance payments on grants and contracts prior to the end of the fiscal year, but related to the period after June 30, 2016.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, installment purchases, and capital lease obligations with contractual maturities greater than one year as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

Discounts, Premiums, and Bond Issuance Costs

Bonds payable on the Statement of Net Position are reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs are expensed as non-operating expenses.

Deferred Inflows and Outflows of Resources

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

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

Net Position

GASB standards require the classification of net position into three components: net investment in capital assets, amounts that are restricted and amounts that are unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets consists of total investments in capital assets, net accumulated depreciation and outstanding debt obligations.

Restricted Net Position:

Nonexpendable includes endowment and similar type assets whose use is limited by donors or other outside sources, and as a condition of the gift, the principal is to be maintained in perpetuity.

Expendable represents funds that have been received for specific purposes and the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, such as state appropriations, investment, and interest income.

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

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

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from charges to students are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the differences between the actual charge for goods and services provided by the University and the amounts that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Student financial assistance grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship allowance.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, Perkins Loans, Stafford Loans, Parent Loans for Undergraduate and Graduate Students (PLUS and GPLUS), and Teacher Education Assistance for College and Higher Education grants (TEACH). Federal programs are audited in accordance with generally accepted governmental auditing standards.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2016. The following risk disclosures are required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk (Category 3 deposits and investments) - 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 an outside party. The custodial credit 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 the possession of an outside party. The University is not exposed to custodial credit risk at June 30, 2016.

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires the disclosure of the credit quality rating on any investments subject to credit risk. The University does not have a credit rate risk policy. The University's portfolio can be characterized as having minimal exposure to credit risk as indicated by the majority of credit ratings being BBB+ or better.

Concentration of credit risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer of fixed income securities. The University does not have a concentration of credit risk policy. As of June 30, 2016, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. government and mutual fund or pool investments) representing 5% or more of its total investments.

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires disclosure of maturities for any investments subject to interest rate risk. None of the University's investments are considered highly sensitive to changes in interest rates. The University does not have an interest rate risk policy. Interest rate information was organized by investment type and amount using segmented time distribution method and weighted average maturity.

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign deposits but does have foreign investments for June 30, 2016. The foreign investments are traded in U.S. dollars and the risk is considered to be low. The University does not have a foreign currency risk policy.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all state funds of the University are maintained by the Treasurer of Virginia who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Cash and cash equivalents reporting requirements are defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

Deposits

At June 30, 2016, the carrying value of the University's deposit with banks was $49,718,756 and the bank balance was $50,956,962. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. The deposits of the University are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50% to 100% for financial institutions choosing the pooled method of collateralization, and from 105% to 130% for financial institutions choosing the dedicated method of collateralization. At June 30, 2016, the University's deposits were not exposed to custodial credit risk.

Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board's Administration and Finance Committee. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4518, et seq., *Code of Virginia*. Authorized investments include: U.S. Treasury and agency securities, municipal securities, corporate debt securities of domestic corporations, agency mortgage-backed securities, negotiable certificates of deposit, repurchase agreements, common and preferred equities, equity in land, and mutual and money market funds.

Investments fall into two groups: short- 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.

Security Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of $412,699 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

Fair Value Measurement

The University implemented GASB Statement No. 72, *Fair Value Measurement and Application,* which establishes a three level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs are quoted prices for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs are unobservable inputs for an asset or liability and should be used only when relevant level 1 and level 2 inputs are unavailable.

The University establishes the fair value of its investments in funds that do not have a readily determinable fair value by using net asset value (NAV) per share, or its equivalent, as reported by the external fund manager when NAV per share is calculated as of the measurement date in a manner consistent with FASB's measurement principles for investment companies.

Investments measured at Net Asset Value (NAV) are held with Old Dominion University Educational Foundation and the Commonfund, balances at June 30, 2016 were $11,541,334 and $6,552,560, respectively. The Educational Foundation manages the University's investments using the same investment strategy as endowments, which they also manage. The primary investment objective of the Endowment is to provide a real rate of return over inflation sufficient to support, in perpetuity, the mission of the University. To achieve the Endowment objective, the Endowment's assets are invested to generate appreciation and / or dividend and interest income while maintaining acceptable risk levels. To accomplish this goal, the Endowment diversifies assets among several asset classes. The investment objective of the Commonfund is to produce a total rate of return in excess of its benchmark, the Merrill Lynch 1-3 Year Treasury Index, but attaches greater emphasis to its goal of generating a higher current yield than short-term money market instruments in a manner that mitigates the chances of a negative total return over any 12-month period. The Commonfund seeks to achieve its investment objective by allocating assets to managers who employ various strategies emphasizing sector rotation, security selection, yield curve position, liquidity and diversification.

Investments Measured at Fair Value including categorization of credit quality and interest rate risk

Investments held on June 30, 2016

	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	1-5 Years	6-10 Years	Fair Value Measurement (Per GASB 72) Not Applicable to Fair Value Measurement	Level 1 [(3)]	Level 2 [(4)]	Level 3 [(5)]
Investments by Fair Value (FV)									
Cash Equivalents:									
BB&T/Treasurer of Virginia (Securities Lending)	NR	$ 436,686	$ 436,686	$ -	$ -	$ 436,686	$ -	$ -	$ -
SNAP	AAAm	15,298,619	15,298,619	-	-	15,298,619	-	-	-
Total Cash Equivalents		15,735,305	15,735,305	-	-	15,735,305	-	-	-
Investments:									
U. S. Treasury & Agency Securities [(1)]	NR	366,545	25,029	270,278	71,238	-	366,545	-	-
Corporate Bonds	AAA	21,421	-	-	21,421	-	21,421	-	-
	AA+	41,498	-	15,398	26,100	-	41,498	-	-
	AA	80,741	-	54,528	26,213	-	80,741	-	-
	AA-	106,523	-	74,865	31,658	-	106,523	-	-
	A+	98,617	25,120	73,497	-	-	98,617	-	-
	A	327,374	-	216,341	111,033	-	327,374	-	-
	A-	68,943	25,058	43,885	-	-	68,943	-	-
	BBB+	26,337	-	-	26,337	-	26,337	-	-
Municipal Securities	AAA	103,678	-	76,906	26,772	-	-	103,678	-
	AA	128,744	-	128,744	-	-	-	128,744	-
	NR	25,516	-	25,516	-	-	-	25,516	-
U.S. Government Agency Mortgage Backed	AA+	391,309	140,136	118,109	133,064	-	391,309	-	-
Foreign Bonds/Notes	A	37,837	-	22,184	15,653	-	37,837	-	-
	A-	15,742	-	-	15,742	-	15,742	-	-
Mutual Funds Equity [(2)]		1,324,617	-	-	-	-	1,324,617	-	-
Mutual Funds - Intl Equity [(2)]		592,415	-	-	-	-	-	-	592,415
Total Investments		3,757,857	215,343	1,120,251	505,231	-	2,907,504	257,938	592,415
Total Cash Equivalents and Investments at Fair Value		19,493,162	15,950,648	1,120,251	505,231	$ 15,735,305	$ 2,907,504	$ 257,938	$ 592,415
Investments Measured at Net Asset Value (NAV)									
Investments:									
Mutual Funds	AA	6,552,560	-	6,552,560	-				
	NR	11,541,334	-	11,541,334	-				
Total Investments Measured at the NAV		18,093,894	-	18,093,894	-				
Total Cash Equivalents and Investments		$ 37,587,056	$ 15,950,648	$ 19,214,145	$ 505,231				

(1) Credit quality ratings are not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government and equity funds.

(2) Credit quality ratings and interest rate risk are not required by equity investments.

(3) Level 1 is based upon quoted market prices.

(4) Level 2 is based on quoted prices for similar instrument in active markets or quoted markets for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.

(5) Level 3 is based on long-dated commodity swaps whose forward pace curve was correlated with observable market data or shares of a privately held company whose value was based on projected cash flows.

NOTE 3: DONOR RESTRICTED ENDOWMENT

Investments of the University's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations.

The Uniform Prudent Management of Institutional Funds Act, *Code of Virginia* Section 64.2-1100 et. seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2016, the payout percentage was 4.0%. The payout percentage is reviewed and adjusted annually, as deemed prudent.

At June 30, 2016, net appreciation of $1,452,606 is available to be spent, which is reported in the Statement of Net Position as Restricted for Expendable Scholarships and Fellowships.

NOTE 4: ACCOUNTS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2016:

Student tuition and fees	$ 9,632,687
Auxiliary enterprises	3,872,597
Federal, state, and nongovernmental grants and contracts	3,785,071
Other activities	1,183,078
Gross receivables	18,473,433
Less allowance for doubtful accounts	(1,221,592)
Net accounts receivable	$ 17,251,841

B. Due from the Commonwealth consisted of the following at June 30, 2016:

Equipment trust fund reimbursement	$ 3,749,422
Virginia College Building Authority 21st Century bonds	2,629,515
Total due from Commonwealth of Virginia	$ 6,378,937

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 31,254,494	$ 3,174,394	$ 1,154,406	$ 33,274,482
Construction in progress	27,389,680	53,438,312	4,423,818	76,404,174
Total nondepreciable capital assets	58,644,174	56,612,706	5,578,224	109,678,656
Depreciable capital assets:				
Buildings	725,471,564	5,966,049	280,300	731,157,313
Equipment	90,354,784	5,989,674	4,084,400	92,260,058
Infrastructure	2,760,228	492,834	-	3,253,062
Improvements other than buildings	15,231,161	101,365	-	15,332,526
Library books	73,587,432	722,755	3,663	74,306,524
Intangible assets	2,875,993	243,908	254,719	2,865,182
Total depreciable capital assets	910,281,162	13,516,585	4,623,082	919,174,665
Less accumulated depreciation for:				
Buildings	242,772,695	14,238,856	280,300	256,731,251
Equipment	54,405,017	6,772,115	3,162,206	58,014,926
Infrastructure	1,513,177	102,899	-	1,616,076
Improvements other than buildings	8,779,886	572,278	-	9,352,164
Library books	70,792,139	1,446,121	3,663	72,234,597
Intangible assets	2,373,890	227,925	220,456	2,381,359
Total accumulated depreciation	380,636,804	23,360,194	3,666,625	400,330,373
Depreciable capital assets, net	529,644,358	(9,843,609)	956,457	518,844,292
Total capital assets, net	$ 588,288,532	$ 46,769,097	$ 6,534,681	$ 628,522,948

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2016:

Employee salaries, wages, and fringe benefits payable	$ 19,506,433
Retainage payable	2,831,083
Interest payable	2,087,482
Virginia Retirement System payable	1,239,281
Vendors and suppliers accounts payable	22,377,185
Current liabilities - accounts payable and accrued expenses	$ 48,041,464

NOTE 7: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2016 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligation bonds	$ 59,946,781	$ -	$ 4,144,833	$ 55,801,948	$ 3,434,601
Revenue bonds	144,260,459	22,066,942	30,730,518	135,596,883	9,940,000
Installment purchases	1,312,849	-	216,904	1,095,945	175,673
Capital leases	62,095,855	-	2,464,897	59,630,958	2,428,233
Total long-term debt	267,615,944	22,066,942	37,557,152	252,125,734	15,978,507
Accrued compensated absences	7,765,405	7,093,068	7,066,782	7,791,691	5,774,772
Net pension liability *	112,983,000	13,599,000	-	126,582,000	-
Federal loan program contributions	398,088	-	360,945	37,143	-
Other liabilities	242,000	-	60,500	181,500	60,500
Total long-term liabilities	$ 389,004,437	$ 42,759,010	$ 45,045,379	$ 386,718,068	$ 21,813,779

**Additions reflect net increase*

NOTE 8: LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 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 which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University issued 9(d) bonds through the Virginia College Building Authority's (VCBA) Pooled Bond Program created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the VCBA issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue, not otherwise obligated, also secures these notes.

Description	Interest Rates	Maturity	2016
General obligation bonds:			
Dormitory, Series 2007B	4.00% - 5.00%	2017	$ 755,000
Dormitory, Series 2008B	5.00%	2018	3,655,000
Dormitory, Series 2009C	4.00%	2022	1,006,017
Dormitory, Series 2009D	5.00%	2022	1,625,000
Dormitory, Series 2009D	5.00%	2022	2,465,000
Dormitory, Series 2010A	2.10% - 5.00%	2030	1,505,000
Dormitory, Series 2012A	5.00%	2024	654,765
Dormitory, Series 2013B	4.00% - 5.00%	2025	349,247
Dormitory, Series 2013B	4.00% - 5.00%	2026	2,760,934
Dormitory, Series 2013B	4.00% - 5.00%	2025	6,344,322
Dormitory, Series 2015B	4.00% - 5.00%	2027	2,826,720
Dormitory, Series 2015B	4.00% - 5.00%	2028	24,073,712
Total general obligation bonds			48,020,717

Description	Interest Rates	Maturity	2016
Revenue bonds:			
Classrooms, Series 2007B	4.25%	2018	797,136
Classrooms, Series 2014B	3.00% - 5.00%	2017	704,804
Classrooms, Series 2014B	3.00% - 5.00%	2020	232,575
Recreation, Series 2007B	4.25%	2018	413,781
Recreation, Series 2007B	4.00% - 4.50%	2020	6,653,172
Recreation, Series 2010B	5.00%	2021	630,000
Recreation, Series 2010B	5.00%	2022	4,775,000
Recreation, Series 2014B	3.00% - 5.00%	2017	369,574
Recreation, Series 2014B	3.00% - 5.00%	2020	262,150
Recreation, Series 2014B	3.00% - 5.00%	2017	535,416
Parking, Series 2007A	4.50% - 5.00%	2028	2,045,000
Parking, Series 2007B	4.25%	2018	149,083
Parking, Series 2007B	4.00% - 4.50%	2020	2,526,828
Parking, Series 2009A	3.00% - 5.00%	2021	1,020,000
Parking, Series 2010B	5.00%	2021	360,000
Parking, Series 2010B	5.00%	2022	1,460,000
Parking, Series 2010B	5.00%	2021	450,000
Parking, Series 2012A	5.00%	2024	470,000
Parking, Series 2012A	3.00% - 5.00%	2025	2,075,000
Parking, Series 2014B	3.00% - 5.00%	2017	130,622
Parking, Series 2014B	3.00% - 5.00%	2020	380,275
Parking, Series 2014B	3.00% - 5.00%	2017	304,584
Parking, Series 2014B	3.00% - 5.00%	2026	3,805,000
Parking, Series 2015B	3.00% - 5.00%	2029	3,095,000
Athletic Fac. Exp., Series 2006A	3.00% - 5.00%	2027	260,000
Athletic Fac. Exp., Series 2007A	4.50% - 5.00%	2028	115,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,220,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,645,000
Athletic Fac. Exp., Series 2014B	3.00% - 5.00%	2026	415,000
Athletic Fac. Exp., Series 2014B	3.00% - 5.00%	2024	360,000
Athletic Fac. Exp., Series 2014B	3.00% - 5.00%	2026	225,000
H&PE Renovation, Series 2007A	4.50% - 5.00%	2028	3,780,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2025	1,020,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2025	1,645,000
H&PE Renovation, Series 2014B	3.00% - 5.00%	2026	420,000
H&PE Renovation, Series 2014B	3.00% - 5.00%	2026	7,025,000
Indoor Tennis Court, Series 2006A	3.00% - 5.00%	2027	55,000
Indoor Tennis Court, Series 2007A	4.50% - 5.00%	2028	60,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	755,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	1,280,000
Indoor Tennis Court, Series 2014B	3.00% - 5.00%	2026	325,000
Indoor Tennis Court, Series 2014B	3.00% - 5.00%	2024	100,000
Indoor Tennis Court, Series 2014B	3.00% - 5.00%	2026	120,000

Description	Interest Rates	Maturity	2016
Dormitory, Series 2012A	3.00% - 5.00%	2025	10,820,000
Dormitory, Series 2014B	3.00% - 5.00%	2026	2,730,000
Powhatan Sports Ctr, Series 2007A	4.50% - 5.00%	2028	1,560,000
Powhatan Sports Ctr, Series 2009A	3.00% - 5.00%	2021	5,175,000
Powhatan Sports Ctr, Series 2010A	3.75% - 5.50%	2031	755,000
Powhatan Sports Ctr, Series 2014A	2.00% - 5.00%	2035	2,915,000
Powhatan Sports Ctr, Series 2014B	3.00% - 5.00%	2026	2,900,000
Powhatan Sports Ctr, Series 2015B	3.00% - 5.00%	2029	15,620,000
Webb Center Expansion, Series 2009B	4.25% - 5.00%	2030	570,000
Webb Center Expansion, Series 2014A	2.00% - 5.00%	2035	2,460,000
Campus Dining Impr, Series 2014A	2.00% - 5.00%	2035	20,310,000
Total revenue bonds			120,285,000
Installment purchases	1.56% - 2.66%	2022	1,095,945
Capital leases	Various	2019-34	59,630,958
Total bonds, installment purchases, and leases			229,032,620
Unamortized bond premium, general obligation bonds			7,781,231
Unamortized bond premium, revenue bonds			15,311,883
Total bonds, installment purchases, leases, and unamortized bond premiums			$ 252,125,734

Long-term debt matures as follows:

	Principal	Interest
2017	$ 15,978,507	$ 10,032,835
2018	17,074,138	9,411,153
2019	16,320,417	8,657,766
2020	17,059,690	7,918,007
2021	17,441,099	7,137,231
2022-2026	81,583,454	24,137,111
2027-2031	48,527,277	8,164,776
2032-2036	15,048,038	1,162,132
Total	$ 229,032,620	$ 76,621,011

A. Equipment Trust Fund Program

The Equipment Trust Fund (ETF) program was established to provide state-supported institutions of higher education bond proceeds for financing the acquisition and replacement of instructional and research equipment. The Virginia College Building Authority (VCBA) manages the program. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for equipment purchased. Financing agreements for ETF state that the University owns the equipment from the date of purchase.

The Statement of Net Position line "Due from the Commonwealth" includes $3,749,422 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

In December 2015, the Virginia College Building Authority issued $153,895,000 in Educational Facilities Revenue Refunding Bonds, Series 2015B. The sale of these Revenue bonds enabled the University to advance refund $18,685,000 of Series 2009A. The net proceeds of $21,966,045 for Revenue bonds (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable escrow account and will be used to pay interest, redemption premium and maturity value of the refunded bonds to their call date. This defeasance reduced total debt service payments over the next ten years by $637,713 resulting in an economic gain of $569,977 discounted at the rate of 2.709% for Revenue bonds.

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous fiscal years for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2016, $68,400,000 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2016, assets purchased under capital leases were included in depreciable capital assets in the amount of $63,575,142. The assets are net of accumulated depreciation.

NOTE 9: EXPENSES BY NATURAL CLASSIFICATIONS

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

	Compensation and Benefits	Goods and Services	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	$ 142,397,046	$ 14,006,168	$ -	$ 3,159,619	$ -	$ 159,562,833
Research	6,845,128	4,848,531	-	109,516	-	11,803,175
Public service	356,581	348,473	-	7,060	-	712,114
Academic support	28,152,283	11,333,974	-	5,300,260	-	44,786,517
Student services	13,578,944	3,986,335	-	21,726	-	17,587,005
Institutional support	26,227,651	4,602,660	-	166,477	-	30,996,788
Operation and maintenance of plant	12,567,681	14,983,904	-	1,511,577	-	29,063,162
Depreciation expense	-	-	-	-	23,360,194	23,360,194
Scholarship and related expenses	-	409,722	17,564,347	-	-	17,974,069
Auxiliary activities	30,242,895	54,129,062	9,600,253	3,998,917	-	97,971,127
Total	$ 260,368,209	$ 108,648,829	$ 27,164,600	$ 14,275,152	$ 23,360,194	$ 433,816,984

NOTE 10: STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation 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 reappropriation 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:

Original legislative appropriation per Chapter 665:	
Educational and general programs	$ 109,279,431
Student financial assistance/grants	19,453,324
Supplemental adjustments:	
Supplemental appropriation	523,733
Central fund transfers - compensation and benefits	4,035,129
Central fund transfers - other	46,951
Grants	5,016,071
The Virtual Library of Virginia (VIVA)	19,909
Adjusted appropriations	$ 138,374,548

NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

The University's component units are presented in the aggregate on the face of the financial statements. Below is a condensed summary of each foundation and the corresponding footnotes. The University has four component units - Old Dominion Athletic Foundation, Old Dominion University Educational Foundation, Old Dominion University Real Estate Foundation, and Old Dominion University Research Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements.

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
Statement of Net Position					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 402,186	$ 439,500	$ 3,282,295	$ 9,438,428	$ 13,562,409
Accounts receivable, net	146,531	119,928	2,689,711	11,928,376	14,884,546
Contributions receivable, net	2,174,187	2,591,774	-	-	4,765,961
Travel advances	-	-	-	108,429	108,429
Prepaid expenses	84,190	2,388	38,973	476,672	602,223
Other assets	60,941	161,945	-	-	222,886
Total current assets	2,868,035	3,315,535	6,010,979	21,951,905	34,146,454
Noncurrent assets:					
Investments	38,231,312	180,468,495	1,582,190	8,018,763	228,300,760
Accounts receivable	-	-	47,048,840	-	47,048,840
Contributions receivable, net	3,070,116	3,847,556	-	-	6,917,672
Nondepreciable capital assets	-	-	22,795,215	54,802	22,850,017
Capital assets	34,277	53,972	2,529,786	4,202,652	6,820,687
Total noncurrent assets	41,335,705	184,370,023	73,956,031	12,276,217	311,937,976
Total assets	$ 44,203,740	$187,685,558	$ 79,967,010	$ 34,228,122	$346,084,430
LIABILITIES					
Current liabilities:					
Accounts payable	$ 1,444,157	$ 273,095	$ 317,664	$ 7,686,006	$ 9,720,922
Due to affiliates	-	-	-	3,224,798	3,224,798
Unearned revenue	1,170	-	23,018	5,159,198	5,183,386
Deposits held in custody for others	-	-	36,166	-	36,166
Agency related payables	-	11,513,309	-	-	11,513,309
Line of credit	-	-	6,453,851	-	6,453,851
Long-term liabilities – current portion	-	143,125	2,445,850	-	2,588,975
Total current liabilities	1,445,327	11,929,529	9,276,549	16,070,002	38,721,407
Noncurrent liabilities	-	956,102	73,465,551	-	74,421,653
Total liabilities	1,445,327	12,885,631	82,742,100	16,070,002	113,143,060
NET POSITION					
Net investment in capital assets	34,277	53,972	15,301,750	4,257,454	19,647,453
Permanently restricted	15,686,491	120,823,640	-	-	136,510,131
Temporarily restricted	15,106,676	48,463,601	-	14,940,566	78,510,843
Unrestricted	11,930,969	5,458,714	(18,076,840)	(1,039,900)	(1,727,057)
Total net position	$ 42,758,413	$174,799,927	$ (2,775,090)	$ 18,158,120	$232,941,370

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
Statement of Revenues, Expenses and Changes in Net Position					
Operating revenues:					
Gifts and contributions	$ 6,315,193	$ 4,251,362	$ 200,000	$ -	$ 10,766,555
Indirect cost	-	-	-	8,869,494	8,869,494
Sponsored research	-	-	-	40,864,657	40,864,657
Other operating revenues	216,565	135,151	5,564,675	3,002,575	8,918,966
Total operating revenues	6,531,758	4,386,513	5,764,675	52,736,726	69,419,672
Operating expenses:					
Instruction	-	2,418,866	-	-	2,418,866
Research	-	-	-	47,051,747	47,051,747
Academic support	2,248,554	4,932,269	-	-	7,180,823
Institutional support	2,082,108	1,218,502	4,862,678	5,621,861	13,785,149
Operation and maintenance of plant	-	1,402,695	-	-	1,402,695
Depreciation	72,021	20,617	209,770	-	302,408
Student aid	1,713,418	2,518,711	-	-	4,232,129
Total operating expenses	6,116,101	12,511,660	5,072,448	52,673,608	76,373,817
Operating gain/(loss)	415,657	(8,125,147)	692,227	63,118	(6,954,145)
Investment income	807,427	(2,101,332)	(18,121)	202,255	(1,109,771)
Gain on disposal of plant assets	16	29,500	(1,028)	-	28,488
Contributions to permanent endowments	65,473	1,799,417	-	-	1,864,890
Increase in net position	1,288,573	(8,397,562)	673,078	265,373	(6,170,538)
Beginning net position	41,469,840	183,197,489	(3,448,168)	17,892,747	239,111,908
Ending net position	$ 42,758,413	$174,799,927	$ (2,775,090)	$ 18,158,120	$232,941,370

Contributions Receivable

	Old Dominion Athletic Foundation	Dominion University Educational Foundation	TOTAL
Current Receivable			
Receivable due in less than one year	$ 2,574,821	$ 4,216,831	$ 6,791,652
Less allowance for doubtful accounts	400,634	1,625,057	2,025,691
Net current accounts receivable	2,174,187	2,591,774	4,765,961
Receivable due in greater than 1 year, net of discount ($1,103,874)	3,233,876	6,021,350	9,255,226
Less allowance for doubtful accounts	163,760	2,173,794	2,337,554
Net noncurrent contributions receivable	3,070,116	3,847,556	6,917,672
Total contributions receivable	$ 5,244,303	$ 6,439,330	$11,683,633

Investments

The Foundations record investments at market value except for real estate held for investment, which is recorded at the lower of cost or fair market value.

Summary Schedule of Investments

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
U.S. treasury and agency securities	$ -	$ -	$ -	$ 3,717,457	$ 3,717,457
Common & preferred stocks	247,889	4,979,097	-	334	5,227,320
Certificates of deposit	-	-	-	3,636,321	3,636,321
Mutual and money market funds	26,125,871	97,138,241	918,016	664,651	124,846,779
Partnerships	11,857,552	66,837,848	664,174	-	79,359,574
Managed investments	-	11,513,309	-	-	11,513,309
Total	$ 38,231,312	$180,468,495	$ 1,582,190	$ 8,018,763	$228,300,760

Capital Assets

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	Old Dominion University Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
Nondepreciable capital assets:					
Land	$ -	$ -	$ 4,947,057	$ 54,802	$ 5,001,859
Construction in progress	-	-	17,848,158	-	17,848,158
Total capital assets not being depreciated	-	-	22,795,215	54,802	22,850,017
Depreciable capital assets:					
Buildings	-	-	5,128,838	1,037,290	6,166,128
Equipment	360,188	69,835	-	22,767,968	23,197,991
Total capital assets being depreciated	360,188	69,835	5,128,838	23,805,258	29,364,119
Less accumulated depreciation for:					
Buildings	-	-	2,599,052	952,473	3,551,525
Equipment	325,911	15,863	-	18,650,133	18,991,907
Total accumulated depreciation	325,911	15,863	2,599,052	19,602,606	22,543,432
Total depreciable capital assets, net	34,277	53,972	2,529,786	4,202,652	6,820,687
Total capital assets, net	$ 34,277	$ 53,972	$ 25,325,001	$ 4,257,454	$ 29,670,704

Long-Term Liabilities

Old Dominion University Real Estate Foundation and Old Dominion University Educational Foundation:

Description	Interest Rates	Maturity	2015
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2015	3.545%	2033	$ 44,835,000
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2015	4.475%	2031	10,605,000
Total bonds payable			55,440,000
Notes payable:			
Bookstore	5.585%	2032	4,577,376
President's House	4.50%	2028	1,858,007
Total notes payable			6,435,383
Other long-term liabilities			15,135,245
Total long-term debt			$ 77,010,628

Long-term debt maturities are as follows for bonds payable and notes payable:

2016	$ 2,445,850
2017	2,562,132
2018	2,667,588
2019	2,789,800
2020	2,910,825
Thereafter	48,499,188
Total	$ 61,875,383

Other Significant Transactions with Old Dominion University

The University has entered into various Deed of Lease Agreements with Old Dominion University Real Estate Foundation. Under the agreements as of June 30, 2016, the University will repay $59,608,622. At the expiration of the lease terms, the Old Dominion University Real Estate Foundation shall transfer the properties to the University. As such, the University has recorded capital leases relating to these lease agreements.

Direct payments to the University from the Old Dominion University Educational Foundation, Old Dominion University Real Estate Foundation, Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2016 totaled $11,083,007; $348,497; $3,961,972; and $10,700,159 respectively. This includes gift transfers, payments for facilities, and payments for services.

Component Unit Contingencies

The University's Athletic Development Office has and continues to solicit donations for the purpose of funding the construction of a new Basketball Practice Facility. The projected cost of the facility is $8,400,000. As of December 31, 2015, gifts and promises to give exceeded the projected goal of $8,400,000. As of December 31, 2014, in order to accelerate the construction of the facility, the Athletic Foundation Board authorized funding of up to $2,200,000 for the facility (pending completion of the fundraising campaign).

Component Unit Subsequent Event

In January 2016, the Real Estate Foundation purchased two properties for $995,000 and $1,750,000, respectively. In 2015, a line of credit was extended to the Real Estate Foundation in the amount of $10,000,000 for the purpose of purchasing additional properties for future projects. These purchases were financed by draws of $995,000 and $1,725,000 on the line of credit. In March 2016, the Real Estate Foundation sold a property to the University for $2,458,882. The proceeds from the sale were used to make a $2,489,002 payment on the outstanding line of credit.

In June 2016, the Real Estate Foundation and the University swapped various parcels of land. The Foundation transferred $2,789,361 in land to the University and the University transferred $1,154,406 in land to the Foundation.

In September 2016, the Old Dominion University Board of Visitors approved the chartering of the Old Dominion University Museum Foundation for the acquisition and management of the art collection that will be housed in the Barry Art Museum. In December 2016, the Old Dominion University Real Estate Foundation obtained financing through a $10,000,000 revenue bond issued by the Norfolk Airport Authority to construct the museum supported by a donor pledge.

NOTE 12: COMMITMENTS

At June 30, 2016, the University was a party to construction and other contracts totaling approximately $66,352,183 of which $56,659,303 has been incurred.

The University is committed under various operating leases for equipment and space. In general, the equipment leases and the space leases are for varying terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, similar leases will replace these leases. Rental expense was approximately $8,374,731 for the year ended June 30, 2016.

The University has, as of June 30, 2016, the following future minimum rental payments due under the above leases:

Year Ending June 30	Operating Lease Obligation
2017	$ 6,503,990
2018	6,406,272
2019	5,552,724
2020	4,199,333
2021	4,058,590
2022-2026	11,661,515
Total	$ 38,382,424

NOTE 13: RETIREMENT PLANS

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. 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.	**About the Hybrid Retirement Plan** 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"). • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

<table>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID PLAN</th></tr>
<tr>
<td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</td>
<td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.</td>
<td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
State employees*
Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</td>
</tr>
<tr>
<td>Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</td>
<td>Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</td>
<td>*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
Members of the Virginia Law Officers' Retirement System (VaLORS).
Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</td>
</tr>
</table>

PLAN 1	PLAN 2	HYBRID PLAN
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

PLAN 1	PLAN 2	HYBRID PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

PLAN 1	PLAN 2	HYBRID PLAN
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.

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

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

<table>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID PLAN</th></tr>
<tr><td>The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</td><td></td><td></td></tr>
<tr><td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</td><td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</td><td>Disability Coverage
State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</td></tr>
</table>

PLAN 1	PLAN 2	HYBRID PLAN
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012, state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2016 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan for July 2015, 13.28% for August 2015 and 14.22% for September 2015 through June 2016. For employees in the VaLORS Retirement Plan, the contribution rate was 17.67% of covered employee compensation for July 2015, 18.34% for August 2015 and 19.00% for September 2015 through June 2016. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80% and the actuarial rate for VaLORS Retirement Plan was 21.06%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88% of the actuarial rate for the year ended June 30, 2016. Additional funding provided by the General Assembly moved the contribution rates to 90% of the actuarial rate by September 2015 and for the remainder of fiscal year 2016. Contribution from the University to the VRS State Employee Retirement Plan were $11,258,066 and $9,425,735 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions from the University to the VaLORS Retirement Plan were $374,028 and $286,245 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the University reported a liability of $123,166,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $3,416,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the University's proportion of the VRS State Employee Retirement Plan was 2.01167% as compared to 1.95702% at June 30, 2014. At June 30, 2015, the University's proportion of the VaLORS Retirement Plan was 0.48062% as compared to 0.50752% at June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of $10,080,000 for the VRS State Employee Retirement Plan and $188,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions for the VRS State Employee Retirement Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 887,000	$ -
Net difference between projected and actual earnings on pension plan investments	-	8,860,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,407,000	-
Employer contributions subsequent to the measurement date	11,258,066	-
Total	$ 16,552,066	$ 8,860,000

$11,258,066 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 ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense in future reporting periods as follows:

Year ended June 30	
2017	$ (1,157,000)
2018	$ (1,309,000)
2019	$ (2,653,000)
2020	$ 1,553,000

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions for the VaLORS Retirement Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 17,000
Net difference between projected and actual earnings on pension plan investments	-	144,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	231,000
Employer contributions subsequent to the measurement date	374,028	-
Total	$ 374,028	$ 392,000

$374,028 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 ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense in future reporting periods as follows:

Year ended June 30	
2017	$ (176,000)
2018	$ (154,000)
2019	$ (89,000)
2020	$ 27,000

Actuarial Assumptions

VRS

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

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

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

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

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

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

VaLORS

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

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

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

Post-Disablement:

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

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, less that system's fiduciary net position. As of June 30, 2015, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total pension liability	$ 22,521,130	$ 1,902,051
Plan fiduciary net position	16,398,575	1,191,353
Employer's net pension liability	$ 6,122,555	$ 710,698
Plan fiduciary net position as a percentage of the total pension liability	72.81%	62.64%

The total pension liability is calculated by the System's actuary and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirement of GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the 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 net pension liability using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VRS State Employee Retirement Plan net pension liability	$ 176,903,000	$ 123,166,000	$ 78,102,000

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VaLORS Retirement Plan net pension liability	$ 4,644,000	$ 3,416,000	$ 2,405,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2016, the University reported a payable of $1,239,281 for the outstanding amount of contributions to the pension plan required for the year end June 30, 2016.

NOTE 14: OTHER RETIREMENT PLANS

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by two different providers rather than VRS. The two different providers are Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies and Fidelity Investments Tax-Exempt Services Company. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4% contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5% contribution and the employee's 5.0% contribution, plus net investment gains.

Individual contracts issued under the plans provide for full, immediate vesting of both the University's and employee's contributions. Total pension expense recognized was $7,156,024 for the year ended June 30, 2016. Contributions to the optional retirement plans were calculated using the base salary amount $73,409,416 for fiscal year 2016.

NOTE 15: DEFERRED COMPENSATION

State employees may participate in the Commonwealth's Deferred Compensation Plan in accordance with Internal Revenue Code section 457(b). Under this plan, the University's cash match under the Internal Revenue Code section 401(a) during fiscal year 2016 was a maximum match up to $20 per pay period or $40 per month. Employer contributions under this plan were approximately $615,956 for fiscal year 2016.

NOTE 16: POST-EMPLOYMENT BENEFITS

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

NOTE 17: CONTINGENCIES

Grants and Contracts

The University has received grants for specific purposes that are subject to review and audit by the 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 expenditures 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 allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2016, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University is a party to various litigations. While the final outcome cannot be determined at this time, management is of the opinion that any ultimate liability to which the University may be exposed, if any, for these legal actions will not have a material effect on the University's financial position.

NOTE 18: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

NOTE 19: SUBSEQUENT EVENT

On July 12, 2016, the Virginia College Building Authority (VCBA) issued bonds from which the University received $5,210,000 from Educational Facilities Revenue Refunding Bonds, Series 2016A. The University will use the proceeds from the series to refund certain prior VCBA Bonds issued under the Pooled Bond Program.

Required Supplementary Information

<u>Schedules of University's Share of Net Pension Liability</u>

VRS State Employee Retirement Plan
For the Years Ended June 30, 2016 and 2015*

	2016	2015
University's proportion of the net pension liability	2.01167%	1.95702%
University's proportionate share of the net pension liability	$ 123,166,000	$ 109,562,000
University's covered payroll	$ 77,640,742	$ 75,442,144
University's proportionate share of the net pension liability as a percentage of its covered payroll	158.64%	145.23%
Plan fiduciary net position as a percentage of the total pension liability	72.81%	74.28%

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.

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

VaLORS State Employee Retirement Plan
For the Years Ended June 30, 2016 and 2015*

	2016	2015
University's proportion of the net pension liability	0.48062%	0.50752%
University's proportionate share of the net pension liability	$ 3,416,000	$ 3,421,000
University's covered payroll	$ 1,631,065	$ 1,789,631
University's proportionate share of the net pension liability as a percentage of its covered payroll	209.43%	191.16%
Plan fiduciary net position as a percentage of the total pension liability	62.64%	63.05%

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.

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

Schedules of University Contributions

VRS State Employee Retirement Plan
For the Years Ended June 30, 2007 through 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2016	$ 11,261,826	$ 11,261,826	$ -	$ 81,802,831	13.77%
2015	$ 9,425,735	$ 9,425,735	$ -	$ 77,640,742	12.14%
2014	$ 6,608,367	$ 6,608,367	$ -	$ 75,442,144	8.76%
2013	$ 6,165,085	$ 6,165,085	$ -	$ 70,144,229	8.79%
2012	$ 4,530,971	$ 4,530,971	$ -	$ 68,551,568	6.61%
2011	$ 7,080,130	$ 7,080,130	$ -	$ 50,877,836	13.92%
2010	$ 6,184,748	$ 6,184,748	$ -	$ 49,075,436	12.60%
2009	$ 6,995,067	$ 6,995,067	$ -	$ 62,081,885	11.27%
2008	$ 6,975,012	$ 6,975,012	$ -	$ 62,238,537	11.21%
2007	$ 6,387,717	$ 6,387,717	$ -	$ 59,098,986	10.81%

VaLORS State Employee Retirement Plan
For the Years Ended June 30, 2007 through 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	University's Covered Payroll	Contribution as a % of Covered Payroll
2016	$ 374,028	$ 374,028	$ -	$ 1,989,450	18.80%
2015	$ 286,246	$ 286,246	$ -	$ 1,631,065	17.55%
2014	$ 265,182	$ 265,182	$ -	$ 1,789,631	14.82%
2013	$ 269,568	$ 269,568	$ -	$ 1,859,613	14.50%
2012	$ 256,778	$ 256,778	$ -	$ 1,961,636	13.09%
2011	$ 335,448	$ 335,448	$ -	$ 1,574,922	21.30%
2010	$ 329,048	$ 329,048	$ -	$ 1,603,468	20.52%
2009	$ 347,353	$ 347,353	$ -	$ 1,806,305	19.23%
2008	$ 410,675	$ 410,675	$ -	$ 1,713,677	23.96%
2007	$ 298,561	$ 298,561	$ -	$ 1,495,795	19.96%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is 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 for disability
- Decrease service related disability rate from 60% to 50%.

Early implementation – The University has chosen to implement the requirements of GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73,* one year in advance of the required effective date. This statement requires the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. As a result of the implementation, amounts for covered payroll have been updated to reflect *GASB Statement No. 82* covered payroll definition.

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Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 6, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Old Dominion University (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1 and Note 11. Those financial statements were audited by other

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auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Schedules of University's Share of Net Pension Liability on page 57, the Schedules of University Contributions on page 58, and the Notes to the Required Supplementary Information on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2017, on our consideration of Old Dominion University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

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OLD DOMINION UNIVERSITY
Norfolk, Virginia

BOARD OF VISITORS

OFFICIALS