



*Old Dominion University
Financial Statements*

June 30, 2017

TABLE OF CONTENTS

Management's Discussion & Analysis	3
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows.....	14
Notes to Financial Statements.....	17
Required Supplementary Information.....	56
Notes to Required Supplementary Information	59
Independent Auditor's Report	61
University Officials	65

Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Old Dominion University is a comprehensive, multicultural, and student-centered residential 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 70 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 24,300 undergraduate and graduate students from all 50 states and 97 countries and has a strong global network of 140,000 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 nearly \$2.0 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 University 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, 2017. 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, 2016. 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)

	<u>Year Ended June 30,</u> <u>2017</u>	<u>2016</u>	<u>Increase /</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
<u>Assets and deferred outflows:</u>				
Current	\$ 146,801	\$ 137,503	\$ 9,298	6.8 %
Capital, net of accumulated depreciation	621,912	628,523	(6,611)	-1.1 %
Other noncurrent	53,515	59,302	(5,787)	-9.8 %
Deferred outflows of resources	36,354	27,136	9,218	34.0 %
Total assets & deferred outflows	<u>858,582</u>	<u>852,464</u>	<u>6,118</u>	<u>0.7 %</u>
<u>Liabilities and deferred inflows:</u>				
Current	73,286	84,712	(11,426)	-13.5 %
Noncurrent	361,087	364,904	(3,817)	-1.0 %
Deferred inflows of resources	3,846	9,252	(5,406)	-58.4 %
Total liabilities & deferred inflows	<u>438,219</u>	<u>458,868</u>	<u>(20,649)</u>	<u>-4.5 %</u>
<u>Net position:</u>				
Net investment in capital assets	399,394	393,823	5,571	1.4 %
Restricted	30,518	30,062	456	1.5 %
Unrestricted	(9,549)	(30,289)	20,740	68.5 %
Total net position	<u>\$ 420,363</u>	<u>\$ 393,596</u>	<u>\$ 26,767</u>	<u>6.8 %</u>

Total University assets and deferred outflows of resources increased by \$6.1 million or 0.7% bringing the total to \$858.6 million at fiscal year end 2017. The growth in current assets of \$9.3 million or 6.8% was a result of an increase in auxiliary cash and advance vendor payments. Capital, net of accumulated depreciation, decreased \$6.6 million or 1.1% primarily due to the sale of capitalized equipment. Other noncurrent assets decreased \$5.8 million or 9.8% largely due to the utilization of bond proceeds for construction projects. The increase in deferred outflows of \$9.2 million or 34.0% was a result of debt refundings and pension-related transactions.

Total liabilities and deferred inflows of resources decreased \$20.6 million or 4.5%. Current liabilities decreased \$11.4 million or 13.5% primarily due to the timing of payments for goods or services and construction projects, along with the discontinuance of the Securities Lending Program. Noncurrent liabilities decreased by \$3.8 million or 1.0% 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 \$5.4 million or 58.4% as a result of pension-related transactions.

The increase in total assets and deferred outflows of \$6.1 million coupled with the decrease in total liabilities and deferred inflows of \$20.6 million resulted in an overall increase in the University's financial position over the prior fiscal year of \$26.8 million or 6.8%. The University remained strong even after recording the net pension liability of \$141.0 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.

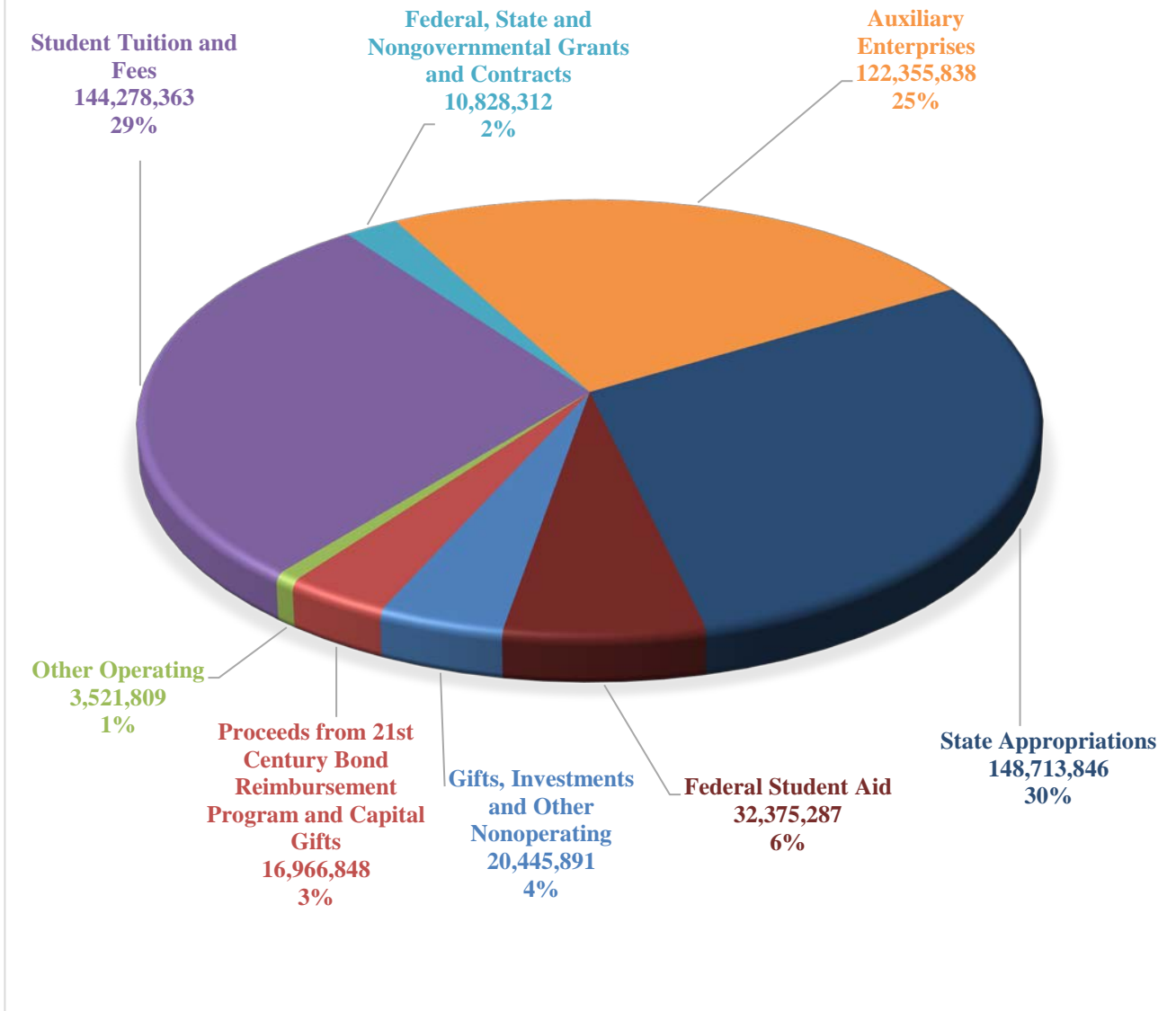
Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

Condensed Summary of Revenues, Expenses and Changes in Net Position

(amounts in thousands)

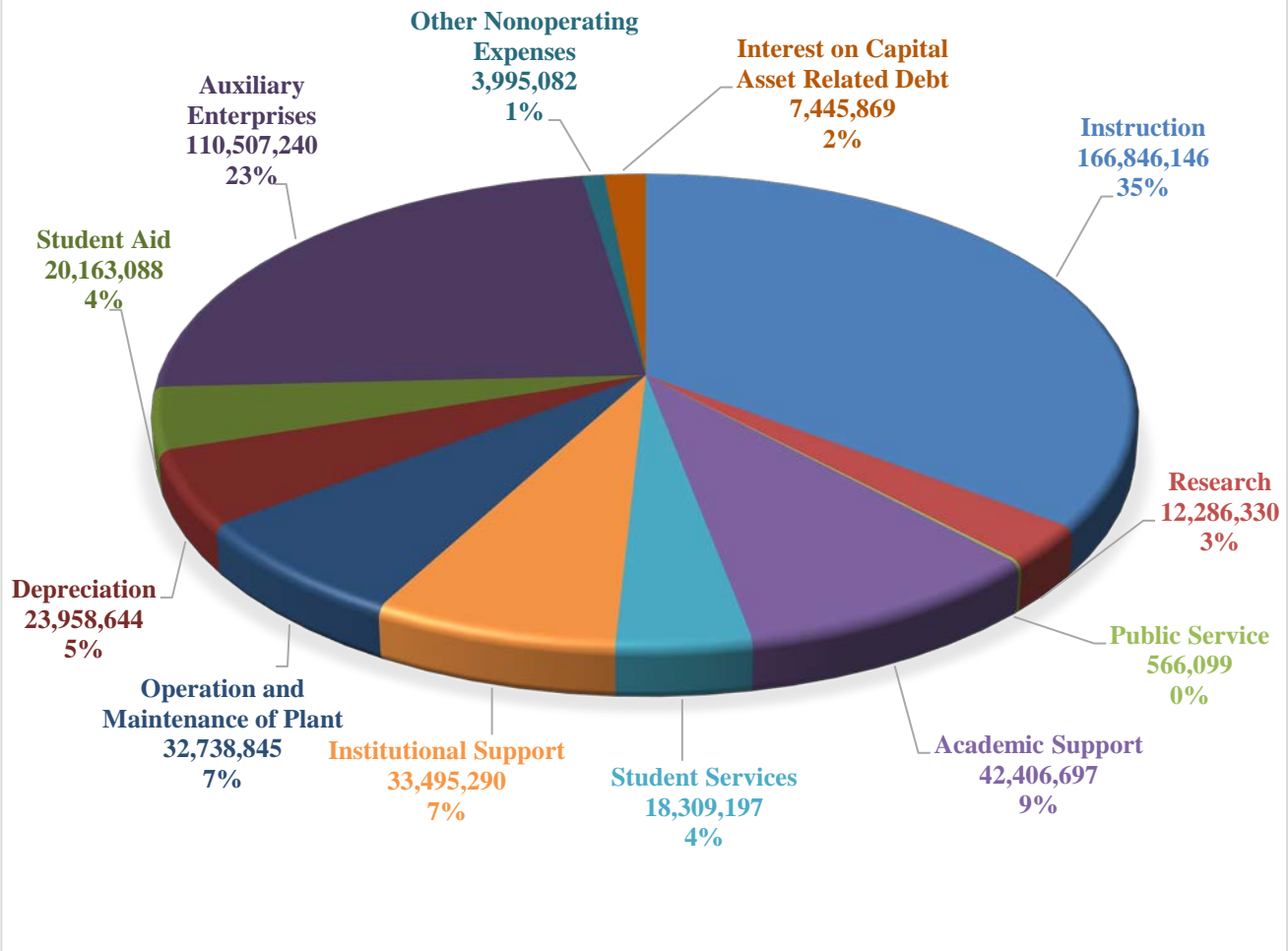
	Year Ended June 30, 2017	2016	Increase / (Decrease)	Percent Change
<u>Operating revenues:</u>				
Student tuition and fees	\$ 144,278	\$ 143,528	\$ 750	0.5 %
Federal grants and contracts	7,444	7,900	(456)	-5.8 %
State, local & nongovernmental grants	3,384	3,227	157	4.9 %
Auxiliary enterprises	122,356	117,471	4,885	4.2 %
Other operating revenues	3,522	3,323	199	6.0 %
Total operating revenues	<u>280,984</u>	<u>275,449</u>	<u>5,535</u>	<u>2.0 %</u>
<u>Operating expenses:</u>				
Instruction	166,846	159,563	7,283	4.6 %
Research	12,287	11,803	484	4.1 %
Public service	566	712	(146)	-20.5 %
Academic support	42,407	44,787	(2,380)	-5.3 %
Student services	18,309	17,587	722	4.1 %
Institutional support	33,495	30,997	2,498	8.1 %
Operation and maintenance	32,739	29,063	3,676	12.6 %
Depreciation	23,959	23,360	599	2.6 %
Scholarships and fellowships	20,163	17,974	2,189	12.2 %
Auxiliary activities	110,507	97,971	12,536	12.8 %
Total operating expenses	<u>461,278</u>	<u>433,817</u>	<u>27,461</u>	<u>6.3 %</u>
Operating loss	<u>(180,294)</u>	<u>(158,368)</u>	<u>21,926</u>	<u>13.8 %</u>
Net nonoperating revenues and expenses	<u>192,885</u>	<u>173,793</u>	<u>19,092</u>	<u>11.0 %</u>
Income before other revenues/ (expenses)/gains/(losses)	<u>12,591</u>	<u>15,425</u>	<u>(2,834)</u>	<u>-18.4 %</u>
Net other revenues and expenses	<u>14,176</u>	<u>35,072</u>	<u>(20,896)</u>	<u>-59.6 %</u>
Increase in net position	<u>26,767</u>	<u>50,497</u>	<u>(23,730)</u>	<u>-47.0 %</u>
Net position - beginning of year	<u>393,596</u>	<u>343,099</u>	<u>50,497</u>	<u>14.7 %</u>
Net position - end of year	<u>\$ 420,363</u>	<u>\$ 393,596</u>	<u>\$ 26,767</u>	<u>6.8 %</u>

REVENUES



Total operating revenues, which grew \$5.5 million or 2.0%, are primarily comprised of auxiliary enterprise revenue. Auxiliary enterprise revenue increased \$4.9 million or 4.2% from the prior fiscal year. The auxiliary revenue increase was due to an increase in fees. In addition, the University received increased funding from state and local grants. Nonoperating revenue increased \$18.9 million or 10.4% as a result of increases in State Appropriations, Pell grant revenue, gifts, investment income and VRS special revenue allocation. Finally, other revenues decreased \$17.9 million or 51.4% as a result of proceeds from the 21st Century Bond reimbursement program.

EXPENSES



Operating expenses increased by \$27.5 million or 6.3% primarily due to salary increases along with promotions for retention efforts to retain well qualified faculty and police officers. 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 (\$164.9 million) and auxiliary enterprises (\$135.1 million). The primary uses are payments to employees including salaries, wages, and fringe benefits (\$257.8 million) and payments to vendors (\$114.0 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 (\$148.9 million) and gifts and grants (\$45.2 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 (\$10.0 million) and capital gifts (\$8.6 million). The primary uses are purchases of capital assets (\$27.9 million) and principal and interest payments on capital debt (\$26.7 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,		Increase /	Percent
	2017	2016	(Decrease)	Change
Cash flows from operating activities	\$ (161,458)	\$ (135,568)	\$ (25,890)	-19.1 %
Cash flows from non-capital financing activities	195,065	182,318	12,747	7.0 %
Cash flows from capital financing activities	(36,025)	(44,020)	7,995	18.2 %
Cash flows from investing activities	450	422	28	6.6 %
Net change in cash	<u>\$ (1,968)</u>	<u>\$ 3,152</u>	<u>\$ (5,120)</u>	<u>-162.4 %</u>

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, 2017 include increases of \$80.6 million in buildings and \$6.6 million in equipment.

Several new and ongoing capital projects were added and completed during the fiscal year which resulted in a net decrease in construction in progress of \$70.8 million. Projects completed 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 \$18.2 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 \$9.7 million at June 30, 2016 to \$3.4 million at June 30, 2017, 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. 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 2017 session restored general funds to higher education decreasing Old Dominion University's budget reduction from \$6.2 million to \$3.2 million. Old Dominion University did not increase tuition to cover any part of the general fund budget reduction. The budget reduction strategy involved eliminating vacant positions, reducing operating expenses and reallocating base resources. In addition, a 2% salary increase was provided for full-time faculty and administrators and a 3% salary increase for full-time classified staff effective in July 2017.

An additional \$6.7 million in tuition revenue was included in the 2017-2018 operating budget to cover a portion of the cost increases related to compensation and benefits, mandatory operational cost increase for utilities and leases, and resources to recruit and retain faculty. 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 2017-2018 budget reallocates \$6.0 million of existing resources 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; and student success and recruitment initiatives.

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

Page Left Intentionally Blank

OLD DOMINION UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2017

	Old Dominion University	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 111,509,061	\$ 27,043,163
Accounts receivable (Net of allowance for doubtful accounts \$1,162,427) (Note 4)	17,473,959	13,872,296
Contributions receivable (Net of allowance for doubtful collections \$304,912) (Note 11)	-	2,873,514
Due from the Commonwealth (Note 4)	6,151,333	-
Appropriations available	1,019,026	-
Travel advances	-	127,993
Prepaid expenses	8,858,002	639,388
Inventory	523,014	-
Notes receivable (Net of allowance for doubtful accounts \$221,838)	1,267,010	-
Other assets	-	233,019
Total current assets	<u>146,801,405</u>	<u>44,789,373</u>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	26,495,698	-
Endowment investments (Note 3)	9,756,866	-
Investments (Notes 2 and 11)	13,527,713	226,694,009
Accounts receivable	-	45,408,618
Contributions receivable (Net of allowance for doubtful collections \$194,043) (Note 11)	-	6,053,889
Notes receivable (Net of allowance for doubtful accounts \$250,470)	1,634,310	-
Nondepreciable capital assets (Notes 5 and 11)	42,609,364	23,426,472
Capital assets (Notes 5 and 11)	579,303,027	4,345,098
Other assets	2,100,000	-
Total noncurrent assets	<u>675,426,978</u>	<u>305,928,086</u>
Total assets	<u>822,228,383</u>	<u>350,717,459</u>
Deferred outflows of resources:		
Pension related (Note 13)	26,670,490	-
Loss on refunding of debt	9,683,218	-
Total deferred outflows of resources	<u>36,353,708</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 858,582,091</u>	<u>\$ 350,717,459</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	\$ 36,275,971	\$ 8,023,676
Due to affiliates	-	3,155,443
Unearned revenue	11,894,338	3,912,496
Deposits held in custody for others	2,550,326	28,712
Other liabilities	-	11,759,206
Line of credit	-	5,617,435
Long-term liabilities - current portion (Notes 7 and 11)	22,565,462	7,385,768
Total current liabilities	<u>73,286,097</u>	<u>39,882,736</u>
Noncurrent liabilities (Notes 7 and 11)	<u>361,086,726</u>	<u>75,693,591</u>
Total liabilities	<u>434,372,823</u>	<u>115,576,327</u>
Deferred inflows of resources:		
Pension related (Note 13)	<u>3,846,000</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>438,218,823</u>	<u>115,576,327</u>
NET POSITION		
Net investment in capital assets	399,393,414	18,584,735
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	5,291,946	-
Permanently restricted	-	138,355,964
Expendable:		
Scholarships and fellowships	7,427,079	-
Research	2,373,824	-
Loans	3,046,770	-
Capital projects	2,199,620	-
Temporarily restricted	-	74,077,353
Departmental uses	10,178,760	-
Unrestricted	<u>(9,548,145)</u>	<u>4,123,080</u>
Total net position	<u>\$ 420,363,268</u>	<u>\$ 235,141,132</u>

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, 2017

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$33,277,422)	\$ 144,278,363	\$ -
Gifts and contributions	-	13,782,181
Federal grants and contracts	7,443,781	-
State grants and contracts	974,839	-
Indirect cost	-	9,417,229
Sponsored research	-	40,418,892
Nongovernmental grants and contracts	2,409,692	-
Auxiliary enterprises (Net of scholarship allowances of \$20,327,410)	122,355,838	-
Other operating revenues	3,521,809	8,593,291
Total operating revenues	<u>280,984,322</u>	<u>72,211,593</u>
Operating expenses:		
Instruction	166,846,146	2,300,886
Research	12,286,330	46,399,434
Public service	566,099	-
Academic support	42,406,697	11,602,789
Student services	18,309,197	-
Institutional support	33,495,290	15,972,860
Operation and maintenance	32,738,845	264,181
Depreciation	23,958,644	169,978
Student aid	20,163,088	4,678,186
Auxiliary activities	110,507,240	-
Total operating expenses	<u>461,277,576</u>	<u>81,388,314</u>
Operating (loss)	<u>(180,293,254)</u>	<u>(9,176,721)</u>
Nonoperating revenues (expenses):		
State appropriations (Note 10)	150,135,442	-
Pell grant revenue	32,375,287	-
Gifts	12,846,288	-
Investment income (Net of investment expenses of \$202,040 and \$683,014)	1,958,739	9,605,111
VRS special revenue allocation	3,458,000	-
Other nonoperating revenues	2,174,289	-
Other nonoperating expenses	(193,204)	-
Interest on capital asset-related debt	(7,445,869)	-
Payments to Commonwealth from state appropriations	(1,047,123)	-
Pension related repayment to General Fund	(1,002,931)	-
Payments to Treasury Board	(374,473)	-
Net nonoperating revenues (expenses)	<u>192,884,445</u>	<u>9,605,111</u>
Income before other revenues, (expenses), gains, and (losses)	<u>12,591,191</u>	<u>428,390</u>
Proceeds from 21st Century bond reimbursement program	9,293,800	-
Capital gifts and grants	7,673,048	-
Loss on disposal of plant assets	(2,779,324)	(68,772)
Bond issuance expense	(19,623)	-
Build America bond interest	8,575	-
Contributions to permanent endowments	-	1,840,144
Total other revenues, (expenses), gains, and (losses)	<u>14,176,476</u>	<u>1,771,372</u>
Increase in net position	26,767,667	2,199,762
Net position - beginning of year	<u>393,595,601</u>	<u>232,941,370</u>
Net position - end of year	<u>\$ 420,363,268</u>	<u>\$ 235,141,132</u>

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, 2017

Cash flows from operating activities:	
Student tuition and fees	\$ 164,923,187
Grants and contracts	9,653,497
Auxiliary enterprises	135,075,202
Other receipts	4,071,191
Payments to employees	(195,760,450)
Payments for fringe benefits	(61,964,662)
Payments for services and supplies	(106,361,457)
Payments for travel	(7,617,535)
Payments for scholarships and fellowships	(82,409,537)
Payments for noncapitalized improvements and equipment	(21,293,901)
Loans issued to students	(329,391)
Collections of loans from students	<u>555,675</u>
Net cash used by operating activities	<u>(161,458,181)</u>
Cash flows from non-capital financing activities:	
State appropriations	148,867,771
Virginia Retirement System repayment	(1,002,931)
Pell grant revenue	32,375,287
Gifts and grants for other than capital purposes	12,837,885
William D. Ford direct lending receipts	106,773,846
William D. Ford direct lending disbursements	(106,773,846)
PLUS loan receipts	19,648,245
PLUS loan disbursements	(19,648,245)
Federal grants and contracts	(87,239)
Other receipts	2,174,289
Agency receipts	3,229,249
Agency payments	<u>(3,329,303)</u>
Net cash provided by non-capital financing activities	<u>195,065,008</u>
Cash flows from capital financing activities:	
Contribution from primary government	9,980,987
Proceeds from bonds	27,382
Capital gifts	8,556,448
Proceeds from capital debt and investments	29,053
Purchase of capital assets	(27,930,464)
Principal paid on capital debt, leases and installments	(16,394,451)
Interest paid on capital debt, leases and installments	<u>(10,293,576)</u>
Net cash used by capital financing activities	<u>(36,024,621)</u>
Cash flows from investing activities:	
Interest on investments and cash management	<u>449,797</u>
Net cash provided by investing activities	<u>449,797</u>
Net change in cash	<u>(1,967,997)</u>
Cash and cash equivalents - beginning of the year	140,385,455
Less: Securities lending - Treasurer of Virginia	<u>(412,699)</u>
Cash and cash equivalents - beginning of the year	<u>139,972,756</u>
Cash and cash equivalents - end of the year	<u>\$ 138,004,759</u>

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

Statement of Net Position

Cash and cash equivalents \$ 138,004,759

Net cash and cash equivalents \$ 138,004,759

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

Operating (loss) \$ (180,293,254)

Adjustments to reconcile net income/(loss) to net cash used by operating activities:

Depreciation expense 23,958,644

Changes in assets, deferred outflows, liabilities, and deferred inflows:

Receivables, net (1,480,582)

Prepaid expenses (4,647,420)

Inventory (48,203)

Deferred outflows of resources related to pensions (9,744,396)

Accounts payable and accrued expenses (1,708,922)

Deposits (36,342)

Unearned revenue 122,294

Net pension liability 17,826,000

Deferred inflows of resources related to pensions (5,406,000)

Net cash used by operating activities \$ (161,458,181)

Non-cash investing, capital and financing activities:

Change in fair value of investments \$ (1,245,679)

Capitalization of interest expense \$ 1,276,659

Amortization of bond premium \$ 2,534,166

Loss on disposal of plant assets \$ (2,779,324)

VRS special revenue allocation \$ 3,458,000

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

Page Left Intentionally Blank

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 financial 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. 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, 2016. 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 2018 that were paid in advance as of June 30, 2017.

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. 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. 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. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of \$1,276,659 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2017. 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, 2017. 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. Investments are reported at fair value.

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, 2017.

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, 2017. 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, 2017.

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, 2017, 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 is organized by investment type and amount using 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, 2017. 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 offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP complies with all standards of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. SNAP investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides an NAV that approximates fair value. 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, 2017, the carrying value of the University's deposit with banks was \$51,928,768 and the bank balance was \$51,449,522. 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, et seq., 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, 2017, 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.

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, 2017 were \$12,664,337 and \$6,560,009, 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, 2017

	Standard & Poor's Credit Quality Rating	Fair Value Measurement (Per GASB 72)							
		Value	Less than 1 Year	1-5 Years	6-10 Years	Not Applicable to Fair Value Measurement	Level 1 ⁽³⁾	Level 2 ⁽⁴⁾	Level 3 ⁽⁵⁾
Investments by Fair Value (FV)									
<u>Cash Equivalents:</u>									
BB&T	NR	\$ 65,253	\$ 65,253	\$ -	\$ -	\$ 65,253	\$ -	\$ -	\$ -
SNAP	AAA m	975,843	975,843	-	-	975,843	-	-	-
Total Cash Equivalents		1,041,096	1,041,096	-	-	1,041,096	-	-	-
<u>Investments:</u>									
U.S. Treasury Securities ⁽¹⁾	NR	388,150	-	233,733	154,417	-	388,150	-	-
Corporate Bonds	AAA	20,407	-	-	20,407	-	20,407	-	-
	AA+	40,368	-	15,072	25,296	-	40,368	-	-
	AA	25,281	-	-	25,281	-	25,281	-	-
	AA-	101,165	-	71,112	30,053	-	101,165	-	-
	A+	138,786	-	100,113	38,673	-	138,786	-	-
	A	232,375	25,674	146,526	60,175	-	232,375	-	-
	A-	67,223	20,627	21,223	25,373	-	67,223	-	-
	BBB+	25,520	-	25,520	-	-	25,520	-	-
Municipal Securities	AAA	124,168	-	124,168	-	-	-	124,168	-
	AA	97,495	45,054	52,441	-	-	-	97,495	-
	AA-	41,980	-	26,986	14,994	-	-	41,980	-
	Aa2 ⁽⁶⁾	25,289	-	25,289	-	-	-	25,289	-
U.S. Government Agency Mortgage Backed	AA+	389,013	-	278,464	110,549	-	389,013	-	-
Foreign Bonds/Notes	AA-	24,491	-	24,491	-	-	24,491	-	-
	A	27,180	-	27,180	-	-	27,180	-	-
	A-	15,430	-	15,430	-	-	15,430	-	-
Mutual Funds Equity ⁽²⁾		1,575,986	-	-	-	-	1,575,986	-	-
Mutual Funds - Intl Equity ⁽²⁾		699,926	-	-	-	-	-	-	699,926
Total Investments		4,060,233	91,355	1,187,748	505,218	-	3,071,375	288,932	699,926
Total Cash Equivalents and Investments at Fair Value		5,101,329	1,132,451	1,187,748	505,218	\$ 1,041,096	\$ 3,071,375	\$ 288,932	\$ 699,926
Investments Measured at Net Asset Value (NAV)									
<u>Investments:</u>									
Mutual Funds	AA	6,560,009	-	6,560,009	-	-	-	-	-
Mutual Funds with ODU Educational Foundation	NA	12,664,337	-	12,664,337	-	-	-	-	-
Total Investments Measured at the NAV		19,224,346	-	19,224,346	-	-	-	-	-
Total Cash Equivalents and Investments		\$ 24,325,675	\$ 1,132,451	\$ 20,412,094	\$ 505,218	-	-	-	-

⁽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 instruments 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 price curve was correlated with observable market data or shares of a privately held company whose value was based on projected cash flows.

⁽⁶⁾ Moody's credit rating

Additional Disclosure for Investments Measured using NAV Estimate

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Mutual Funds	\$ 6,560,009	-	Weekly	5 Business Days
Mutual Funds with ODU Educational Foundation	12,664,337	-	N/A	N/A
	<u>\$ 19,224,346</u>			

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 2017, the payout percentage was 4.0%. The payout percentage is reviewed and adjusted annually, as deemed prudent.

At June 30, 2017, net appreciation of \$2,654,684 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, 2017:

Student tuition and fees	\$ 10,391,827
Auxiliary enterprises	4,561,126
Federal, state, and nongovernmental grants and contracts	3,614,371
Other activities	69,062
Gross receivables	<u>18,636,386</u>
Less allowance for doubtful accounts	<u>(1,162,427)</u>
Net accounts receivable	<u>\$ 17,473,959</u>

B. Due from the Commonwealth consisted of the following at June 30, 2017:

Equipment trust fund reimbursement	\$ 4,209,005
Virginia College Building Authority 21 st Century bond reimbursements	1,942,328
Total due from Commonwealth of Virginia	<u>\$ 6,151,333</u>

NOTE 5: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 33,274,482	\$ 3,766,013	\$ -	\$ 37,040,495
Construction in progress	76,404,174	15,246,013	86,081,318	5,568,869
Total nondepreciable capital assets	<u>109,678,656</u>	<u>19,012,026</u>	<u>86,081,318</u>	<u>42,609,364</u>
Depreciable capital assets:				
Buildings	731,157,313	80,609,217	-	811,766,530
Equipment	92,260,058	6,634,038	8,988,423	89,905,673
Infrastructure	3,253,062	-	-	3,253,062
Improvements other than buildings	15,332,526	1,085,694	-	16,418,220
Library books	74,306,524	760,657	714,328	74,352,853
Intangible assets	2,865,182	107,097	226,221	2,746,058
Total depreciable capital assets	<u>919,174,665</u>	<u>89,196,703</u>	<u>9,928,972</u>	<u>998,442,396</u>
Less accumulated depreciation for:				
Buildings	256,731,251	15,079,690	-	271,810,941
Equipment	58,014,926	6,754,310	4,214,475	60,554,761
Infrastructure	1,616,076	133,016	-	1,749,092
Improvements other than buildings	9,352,164	633,934	-	9,986,098
Library books	72,234,597	1,142,509	714,327	72,662,779
Intangible assets	2,381,359	215,185	220,846	2,375,698
Total accumulated depreciation	<u>400,330,373</u>	<u>23,958,644</u>	<u>5,149,648</u>	<u>419,139,369</u>
Depreciable capital assets, net	<u>518,844,292</u>	<u>65,238,059</u>	<u>4,779,324</u>	<u>579,303,027</u>
Total capital assets, net	<u>\$ 628,522,948</u>	<u>\$ 84,250,085</u>	<u>\$ 90,860,642</u>	<u>\$ 621,912,391</u>

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employee salaries, wages, and fringe benefits payable	\$ 19,242,388
Retainage payable	205,002
Interest payable	1,905,282
Virginia Retirement System payable	1,205,924
Vendors and suppliers accounts payable	<u>13,717,375</u>
Current liabilities - accounts payable and accrued expenses	<u>\$ 36,275,971</u>

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, 2017 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:					
General obligation bonds	\$ 55,801,948	\$ -	\$ 4,258,746	\$ 51,543,202	\$ 3,592,630
Revenue bonds	135,596,883	6,258,395	17,270,488	124,584,790	10,640,000
Installment purchases	1,095,945	-	175,673	920,272	178,409
Capital leases	59,630,958	19,560	2,844,177	56,806,341	2,260,257
Total long-term debt	<u>252,125,734</u>	<u>6,277,955</u>	<u>24,549,084</u>	<u>233,854,605</u>	<u>16,671,296</u>
Accrued compensated absences	7,791,691	7,278,553	6,547,284	8,522,960	5,833,666
Net pension liability*	126,582,000	14,368,000	-	140,950,000	-
Federal loan program contributions	37,143	166,480	-	203,623	-
Other liabilities	181,500	-	60,500	121,000	60,500
Total long-term liabilities	<u>\$ 386,718,068</u>	<u>\$ 28,090,988</u>	<u>\$ 31,156,868</u>	<u>\$ 383,652,188</u>	<u>\$ 22,565,462</u>

*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	2017
General obligation bonds:			
Dormitory, Series 2008B	5.00%	2018	\$ 1,870,000
Dormitory, Series 2009C	4.00%	2022	855,036
Dormitory, Series 2009D	5.00%	2022	1,385,000
Dormitory, Series 2009D	5.00%	2022	2,465,000
Dormitory, Series 2010A	2.75% - 4.40%	2030	1,410,000
Dormitory, Series 2012A	5.00%	2024	654,765
Dormitory, Series 2013B	4.00%	2025	349,247
Dormitory, Series 2013B	4.00%	2026	2,352,314
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			<u>44,586,116</u>

Description	Interest Rates	Maturity	2017
Revenue bonds:			
Classrooms, Series 2007B	4.25%	2018	797,136
Classrooms, Series 2014B	5.00%	2020	174,099
Recreation, Series 2007B	4.25%	2018	413,781
Recreation, Series 2007B	4.00% - 4.50%	2020	6,627,650
Recreation, Series 2010B	5.00%	2021	630,000
Recreation, Series 2010B	5.00%	2022	3,415,000
Recreation, Series 2014B	5.00%	2020	196,238
Parking, Series 2007A	5.00%	2018	400,000
Parking, Series 2007B	4.25%	2018	149,083
Parking, Series 2007B	4.00% - 4.50%	2020	2,517,350
Parking, Series 2009A	3.00% - 5.00%	2021	785,000
Parking, Series 2010B	5.00%	2021	360,000
Parking, Series 2010B	5.00%	2022	1,045,000
Parking, Series 2010B	5.00%	2021	450,000
Parking, Series 2012A	5.00%	2024	370,000
Parking, Series 2012A	3.00% - 5.00%	2025	1,890,000
Parking, Series 2014B	5.00%	2020	284,663
Parking, Series 2014B	4.00% - 5.00%	2026	3,805,000
Parking, Series 2015B	3.00% - 5.00%	2029	3,095,000
Parking, Series 2016A	3.00% - 5.00%	2028	1,235,000
Athletic Fac. Exp., Series 2007A	5.00%	2018	25,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,105,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2025	1,645,000
Athletic Fac. Exp., Series 2014B	4.00%	2026	255,000
Athletic Fac. Exp., Series 2014B	5.00%	2024	360,000
Athletic Fac. Exp., Series 2014B	4.00% - 5.00%	2026	225,000
Athletic Fac. Exp., Series 2016A	3.00%	2027	190,000
Athletic Fac. Exp., Series 2016A	3.00% - 5.00%	2028	60,000
H&PE Renovation, Series 2007A	5.00%	2018	740,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2025	925,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2025	1,645,000
H&PE Renovation, Series 2014B	4.00%	2026	255,000
H&PE Renovation, Series 2014B	4.00% - 5.00%	2026	7,025,000
H&PE Renovation, Series 2016A	3.00% - 5.00%	2028	2,285,000
Indoor Tennis Court, Series 2007A	5.00%	2018	10,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	685,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2025	1,280,000
Indoor Tennis Court, Series 2014B	4.00%	2026	200,000
Indoor Tennis Court, Series 2014B	5.00%	2024	100,000
Indoor Tennis Court, Series 2014B	4.00% - 5.00%	2026	120,000
Indoor Tennis Court, Series 2016A	3.00%	2027	35,000
Indoor Tennis Court, Series 2016A	3.00% - 5.00%	2028	30,000

Description	Interest Rates	Maturity	2017
Dormitory, Series 2012A	3.00% - 5.00%	2025	10,820,000
Dormitory, Series 2014B	4.00%	2026	1,670,000
Powhatan Sports Ctr, Series 2007A	5.00%	2018	305,000
Powhatan Sports Ctr, Series 2009A	3.00% - 5.00%	2021	3,980,000
Powhatan Sports Ctr, Series 2010A	3.75% - 5.50%	2031	715,000
Powhatan Sports Ctr, Series 2014A	5.00%	2035	2,820,000
Powhatan Sports Ctr, Series 2014B	4.00% - 5.00%	2026	2,900,000
Powhatan Sports Ctr, Series 2015B	3.00% - 5.00%	2029	15,620,000
Powhatan Sports Ctr, Series 2016A	3.00% - 5.00%	2028	945,000
Webb Center Expansion, Series 2009B	5.00%	2020	95,000
Webb Center Expansion, Series 2014A	5.00%	2035	2,380,000
Webb Center Expansion, Series 2016A	3.00% - 5.00%	2030	430,000
Campus Dining Impr., Series 2014A	5.00%	2035	19,650,000
Total revenue bonds			<u>110,170,000</u>
Installment purchases	1.56% - 2.66%	2022	920,272
Capital leases	Various	2019-34	<u>56,806,341</u>
Total bonds, installment purchases, and capital leases			<u>212,482,729</u>
Unamortized bond premium, general obligation bonds			6,957,086
Unamortized bond premium, revenue bonds			<u>14,414,790</u>
Total bonds, installment purchases, capital leases, and unamortized bond premiums			<u><u>\$ 233,854,605</u></u>

Long-term debt matures as follows:

	Principal	Interest
2018	\$ 16,671,296	\$ 9,010,628
2019	16,326,875	8,625,465
2020	17,059,689	7,885,582
2021	17,441,099	7,104,805
2022	17,263,437	6,282,691
2023-2027	78,407,238	20,350,498
2028-2032	39,756,908	6,098,967
2033-2037	9,556,187	566,677
Total	<u>\$ 212,482,729</u>	<u>\$ 65,925,313</u>

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 \$4,209,005 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

Defeasance of Debt

In July 2016, the Virginia College Building Authority issued \$231,880,000 in Educational Facilities Revenue Refunding Bonds, Series 2016A. The sale of these Revenue bonds enabled the University to advance refund \$5,385,000 of Series 2006A, Series 2007A and Series 2009B. The net proceeds of \$6,238,772 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 \$578,256 resulting in an economic gain of \$515,287 discounted at rates 1.730% for Series 2006A, 2.057% for Series 2007A and 1.849% for Series 2009B 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, 2017, \$63,380,000 of the defeased bonds was outstanding.

Assets Purchased Under Capital Leases

At June 30, 2017, assets purchased under capital leases were included in depreciable capital assets in the amount of \$61,977,641. 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	\$ 146,946,986	\$ 15,500,643	\$ -	\$ 4,398,517	\$ -	\$ 166,846,146
Research	7,298,389	4,852,822	-	135,119	-	12,286,330
Public service	453,122	110,616	-	2,361	-	566,099
Academic support	29,538,296	9,843,762	-	3,024,639	-	42,406,697
Student services	13,943,020	4,224,035	-	142,142	-	18,309,197
Institutional support	27,688,773	5,679,379	-	127,138	-	33,495,290
Operation and maintenance of plant	13,953,940	16,543,594	-	2,241,311	-	32,738,845
Depreciation expense	-	-	-	-	23,958,644	23,958,644
Scholarship and related expenses	-	560,933	19,602,155	-	-	20,163,088
Auxiliary activities	31,914,171	59,668,660	10,257,916	8,666,493	-	110,507,240
Total	<u>\$ 271,736,697</u>	<u>\$ 116,984,444</u>	<u>\$ 29,860,071</u>	<u>\$ 18,737,720</u>	<u>\$ 23,958,644</u>	<u>\$ 461,277,576</u>

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 780:	
Educational and general programs	\$ 118,868,484
Student financial assistance/grants	25,315,523
Supplemental adjustments:	
Central fund transfers - compensation and benefits	1,070,216
Virginia Degree Completion Network (VDCN)	766,000
Grants	4,095,575
The Virtual Library of Virginia (VIVA)	19,644
Adjusted appropriations	<u>\$ 150,135,442</u>

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	\$ 619,855	\$ 627,730	\$ 14,285,529	\$ 11,510,049	\$ 27,043,163
Accounts receivable, net	70,056	112,139	2,379,199	11,310,902	13,872,296
Contributions receivable, net	1,237,883	1,635,631	-	-	2,873,514
Travel advances	-	-	-	127,993	127,993
Prepaid expenses	99,734	27,569	38,723	473,362	639,388
Other assets	63,245	169,774	-	-	233,019
Total current assets	<u>2,090,773</u>	<u>2,572,843</u>	<u>16,703,451</u>	<u>23,422,306</u>	<u>44,789,373</u>
Noncurrent assets:					
Investments	35,147,523	184,343,501	1,649,269	5,553,716	226,694,009
Accounts receivable	-	-	45,408,618	-	45,408,618
Contributions receivable, net	2,053,170	4,000,719	-	-	6,053,889
Nondepreciable capital assets	-	-	23,371,670	54,802	23,426,472
Capital assets	101,620	59,988	965,433	3,218,057	4,345,098
Total noncurrent assets	<u>37,302,313</u>	<u>188,404,208</u>	<u>71,394,990</u>	<u>8,826,575</u>	<u>305,928,086</u>
Total assets	<u>\$ 39,393,086</u>	<u>\$ 190,977,051</u>	<u>\$ 88,098,441</u>	<u>\$ 32,248,881</u>	<u>\$ 350,717,459</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,567,124	\$ 254,868	\$ 250,399	\$ 5,951,285	\$ 8,023,676
Due to affiliates	-	-	-	3,155,443	3,155,443
Unearned revenue	3,645	-	23,739	3,885,112	3,912,496
Deposits held in custody for others	-	-	28,712	-	28,712
Agency related payables	-	11,759,206	-	-	11,759,206
Line of credit	-	-	5,617,435	-	5,617,435
Long-term liabilities – current portion	-	143,125	7,242,643	-	7,385,768
Total current liabilities	<u>1,570,769</u>	<u>12,157,199</u>	<u>13,162,928</u>	<u>12,991,840</u>	<u>39,882,736</u>
Noncurrent liabilities	-	905,826	74,787,765	-	75,693,591
Total liabilities	<u>1,570,769</u>	<u>13,063,025</u>	<u>87,950,693</u>	<u>12,991,840</u>	<u>115,576,327</u>
NET POSITION					
Net investment in capital assets	101,620	59,988	15,150,268	3,272,859	18,584,735
Permanently restricted	15,921,562	122,434,402	-	-	138,355,964
Temporarily restricted	9,130,542	48,907,560	-	16,039,251	74,077,353
Unrestricted	12,668,593	6,512,076	(15,002,520)	(55,069)	4,123,080
Total net position	<u>\$ 37,822,317</u>	<u>\$ 177,914,026</u>	<u>\$ 147,748</u>	<u>\$ 19,257,041</u>	<u>\$ 235,141,132</u>

	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	\$ 4,235,058	\$ 7,222,123	\$ 2,325,000	\$ -	\$ 13,782,181
Indirect cost	-	-	-	9,417,229	9,417,229
Sponsored research	-	-	-	40,418,892	40,418,892
Other operating revenues	225,747	138,066	5,809,566	2,419,912	8,593,291
Total operating revenues	<u>4,460,805</u>	<u>7,360,189</u>	<u>8,134,566</u>	<u>52,256,033</u>	<u>72,211,593</u>
Operating expenses:					
Instruction	-	2,300,886	-	-	2,300,886
Research	-	-	-	46,399,434	46,399,434
Academic support	6,730,573	4,872,216	-	-	11,602,789
Institutional support	2,481,667	1,271,951	6,545,500	5,673,742	15,972,860
Operation and maintenance of plant	-	264,181	-	-	264,181
Depreciation	25,593	22,333	122,052	-	169,978
Student aid	2,064,021	2,614,165	-	-	4,678,186
Total operating expenses	<u>11,301,854</u>	<u>11,345,732</u>	<u>6,667,552</u>	<u>52,073,176</u>	<u>81,388,314</u>
Operating gain/(loss)	<u>(6,841,049)</u>	<u>(3,985,543)</u>	<u>1,467,014</u>	<u>182,857</u>	<u>(9,176,721)</u>
Investment income	1,669,882	5,494,569	1,524,596	916,064	9,605,111
Gain/loss on disposal of plant assets	-	-	(68,772)	-	(68,772)
Contributions to permanent endowments	235,071	1,605,073	-	-	1,840,144
Increase in net position	(4,936,096)	3,114,099	2,922,838	1,098,921	2,199,762
Beginning net position	42,758,413	174,799,927	(2,775,090)	18,158,120	232,941,370
Ending net position	<u>\$ 37,822,317</u>	<u>\$ 177,914,026</u>	<u>\$ 147,748</u>	<u>\$ 19,257,041</u>	<u>\$ 235,141,132</u>

Contributions Receivable

	Old Dominion Athletic Foundation	Old Dominion University Educational Foundation	TOTAL
Current Receivable			
Receivable due in less than one year	\$ 1,284,042	\$ 1,894,384	\$ 3,178,426
Less allowance for doubtful accounts	46,159	258,753	304,912
Net current accounts receivable	<u>1,237,883</u>	<u>1,635,631</u>	<u>2,873,514</u>
Receivable due in greater than 1 year, net of discount (\$887,280)	2,078,131	4,169,801	6,247,932
Less allowance for doubtful accounts	24,961	169,082	194,043
Net noncurrent contributions receivable	<u>2,053,170</u>	<u>4,000,719</u>	<u>6,053,889</u>
Total contributions receivable	<u>\$ 3,291,053</u>	<u>\$ 5,636,350</u>	<u>\$ 8,927,403</u>

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	\$ -	\$ -	\$ -	\$ 3,755,432	\$ 3,755,432
Common & preferred stocks	49,655	859,174	-	167	908,996
Certificates of deposit	-	-	-	1,039,374	1,039,374
Mutual and money market funds	22,926,666	102,509,602	963,821	758,743	127,158,832
Partnerships	12,171,202	69,215,519	685,448	-	82,072,169
Managed investments	-	11,759,206	-	-	11,759,206
Total	<u>\$ 35,147,523</u>	<u>\$184,343,501</u>	<u>\$ 1,649,269</u>	<u>\$ 5,553,716</u>	<u>\$226,694,009</u>

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	\$ -	\$ -	\$ 7,158,467	\$ 54,802	\$ 7,213,269
Construction in progress	-	-	16,213,203	-	16,213,203
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>23,371,670</u>	<u>54,802</u>	<u>23,426,472</u>
Depreciable capital assets:					
Buildings	-	-	1,982,149	1,037,290	3,019,439
Equipment	448,545	98,184	11,620	22,549,273	23,107,622
Total capital assets being depreciated	<u>448,545</u>	<u>98,184</u>	<u>1,993,769</u>	<u>23,586,563</u>	<u>26,127,061</u>
Less accumulated depreciation for:					
Buildings	-	-	1,018,653	969,068	1,987,721
Equipment	346,925	38,196	9,683	19,399,438	19,794,242
Total accumulated depreciation	<u>346,925</u>	<u>38,196</u>	<u>1,028,336</u>	<u>20,368,506</u>	<u>21,781,963</u>
Total depreciable capital assets, net	<u>101,620</u>	<u>59,988</u>	<u>965,433</u>	<u>3,218,057</u>	<u>4,345,098</u>
Total capital assets, net	<u>\$ 101,620</u>	<u>\$ 59,988</u>	<u>\$ 24,337,103</u>	<u>\$ 3,272,859</u>	<u>\$ 27,771,570</u>

Long-Term Liabilities

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

Description	Interest Rates	Maturity	2016
Bonds payable:			
Norfolk Redevelopment & Housing Authority Revenue Bonds Series 2015	3.545%	2033	\$ 43,110,000
Norfolk Redevelopment & Housing Authority Revenue Bonds Series 2015	4.475%	2031	10,150,000
Norfolk Airport Authority \$10,000,000 Revenue Bond (Barry Art Museum) Series 2016	2.020%	2025	<u>10,000,000</u>
Total bonds payable			<u>63,260,000</u>
Notes payable:			
Bookstore	5.585%	2032	4,424,909
President's House	4.500%	2028	<u>1,746,310</u>
Total notes payable			<u>6,171,219</u>
Other long-term liabilities			<u>13,648,140</u>
Total long-term debt			<u>\$ 83,079,359</u>

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

2017	\$ 3,673,243
2018	3,778,699
2019	3,900,911
2020	4,021,937
2021	4,158,434
Thereafter	<u>49,897,995</u>
Total	<u>\$ 69,431,219</u>

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, 2017, the University will repay \$56,778,048. 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, 2017 totaled \$9,942,646; \$2,251,660; \$8,794,594; and \$9,759,329 respectively. This includes gift transfers, payments for facilities, and payments for services.

Component Unit Subsequent Event

On July 19, 2016, the Real Estate Foundation received a \$14.5 million promise to give related to the construction above. Due to the conditional nature of the promise to give, the Foundation did not recognize an asset or contribution revenue for this gift in 2016. It is expected that the conditions will be met and an asset and contribution revenue will be recorded in 2017.

On April 24, 2017, the Real Estate Foundation entered into a contract for the construction of The Barry Art Museum. The total cost of construction is \$9,756,611 with a contract completion date of March 25, 2018.

In June 2017, the Real Estate Foundation transferred property to the University for \$3,811,635 and in July 2017 sold property to an unrelated third party for \$950,000.

In 2015, the Real Estate Foundation refinanced the ODU Village Student Housing and Parking Facility through Bank of America. In 2016, the Foundation obtained bond financing for the Barry Art Museum. Each bond transaction had yield protection provisions wherein the interest rate would be adjusted automatically as of the effective date of a change in the maximum federal corporate rate. The maximum federal corporate rate changed via the Tax Cuts and Jobs Act of 2017 in December 2017 from 35% to 20% which triggered the provisions to increase the interest rates on the bonds. Staff and board members are in discussions with the lenders to determine the full effect of the change.

On February 15, 2018, the Real Estate Foundation entered into a lease agreement with the University for the Barry Art Museum building. The lease commences on June 1, 2018 and expires June 30, 2025 with an option for an additional four years.

NOTE 12: COMMITMENTS

At June 30, 2017, the University was a party to construction contracts totaling approximately \$15,552,460 of which \$12,121,360 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 \$9,741,364 for the year ended June 30, 2017.

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

Year Ending June 30,	Operating Lease Obligation
2018	\$ 7,925,247
2019	5,787,224
2020	4,336,680
2021	4,198,165
2022	3,404,051
2023-2027	8,262,721
Total	<u>\$ 33,914,088</u>

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 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
<p>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.</p>	<p>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.</p>	<p>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”).</p> <ul style="list-style-type: none"> • 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.

PLAN 1	PLAN 2	HYBRID PLAN
<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS). <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

PLAN 1	PLAN 2	HYBRID PLAN
<p>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.</p>	<p>Retirement Contributions State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>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.</p>
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

PLAN 1	PLAN 2	HYBRID PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>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.</p> <p><u>Defined Contribution 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>

PLAN 1	PLAN 2	HYBRID PLAN
<p>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.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p>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.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 2.00%.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

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

PLAN 1	PLAN 2	HYBRID PLAN
<p>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%.</p> <p><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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><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:</p> <ul style="list-style-type: none"> • 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). 	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

PLAN 1	PLAN 2	HYBRID PLAN
<ul style="list-style-type: none"> • 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. 		
<p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>

PLAN 1	PLAN 2	HYBRID PLAN
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • 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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012, state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2017 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of \$162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of \$16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$11,023,973 and \$11,258,066 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions from the University to the VaLORS Retirement Plan were \$445,084 and \$374,028 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the University reported a liability of \$136,471,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$4,479,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the University's proportion of the VRS State Employee Retirement Plan was 2.07063% as compared to 2.01167% at June 30, 2015. At June 30, 2016, the University's proportion of the VaLORS Retirement Plan was 0.57858% as compared to 0.48062% at June 30, 2015.

For the year ended June 30, 2017, the University recognized pension expense of \$13,914,000 for the VRS State Employee Retirement Plan and \$553,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions for the VRS State Employee Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 584,000	\$ 3,715,000
Net difference between projected and actual earnings on pension plan investments	8,699,000	-
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,220,000	-
Employer contributions subsequent to the measurement date	<u>11,023,973</u>	<u>-</u>
Total	<u>\$ 25,526,973</u>	<u>\$ 3,715,000</u>

\$11,023,973 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, 2018. 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:

<u>Year ended June 30,</u>	
2018	\$ 1,825,000
2019	\$ 478,000
2020	\$ 4,924,000
2021	\$ 3,561,000
2022	\$ -

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions for the VaLORS Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,000	\$ 12,000
Net difference between projected and actual earnings on pension plan investments	184,000	-
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	505,000	119,000
Employer contributions subsequent to the measurement date	<u>445,084</u>	<u>-</u>
Total	<u>\$ 1,154,084</u>	<u>\$ 131,000</u>

\$445,084 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, 2018. 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:

<u>Year ended June 30,</u>	
2018	\$ 138,000
2019	\$ 203,000
2020	\$ 164,000
2021	\$ 73,000
2022	\$ -

Actuarial Assumptions

VRS

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of 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, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

VaLORS

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of 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, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total pension liability	\$ 22,958,593	\$ 1,985,618
Plan fiduciary net position	<u>16,367,842</u>	<u>1,211,446</u>
Employer's net pension liability	<u>\$ 6,590,751</u>	<u>\$ 774,172</u>
Plan fiduciary net position as a percentage of the total pension liability	71.29%	61.01%

The total pension liability is calculated by the System's actuary and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
University's proportionate share of the VRS State Employee Retirement Plan net pension liability	\$ 192,058,000	\$ 136,471,000	\$ 89,801,000

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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
University's proportionate share of the VaLORS Retirement Plan net pension liability	\$ 5,995,000	\$ 4,479,000	\$ 3,231,000

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 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2017, the University reported a payable of \$1,205,924 for the outstanding amount of contributions to the pension plan required for the year end June 30, 2017.

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 \$7,175,235 for the year ended June 30, 2017. Contributions to the optional retirement plans were calculated using the base salary amount \$74,112,345 for fiscal year 2017.

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 2017 was a maximum match up to \$20 per pay period or \$40 per month. Employer contributions under this plan were approximately \$601,784 for fiscal year 2017.

NOTE 16: POST-EMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program.

The Group Life Insurance Program provides members basic group life insurance upon employment. In addition to benefits provided to active members during employment, the Virginia Sickness and Disability Program provides inactive members with long-term disability and long-term care benefits. The Retiree Health Insurance Credit Program provides members health insurance credits to offset the monthly health insurance premiums for retirees who have at least 15 years of service. The Line of Duty Act Program provides death and health insurance reimbursement benefits to eligible state employees, such as campus police, who die or become disabled as a result of the performance of their duties as a public safety officer. The University is required to contribute to the costs of participating in these programs.

The University also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management. The plan provides the option for retirees who are not yet eligible to participate in Medicare to participate in the Commonwealth’s healthcare plan for its active employees. The University does not pay a portion of the retirees’ healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the University effectively subsidizes the costs of the participating retirees’ healthcare through payment of the employer’s portion of premiums for active employees.

Additional information related to all of these plans is available at the state-wide 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, 2017, 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: RELATED PARTY TRANSACTIONS

The Old Dominion University Museum Foundation and the University entered into an agreement on July 19, 2016 for the Museum Foundation to operate the Barry Art Museum. On December 6, 2016, an agreement was entered into which set the manner in which the University provides support to the Foundation. The Foundation reimburses the University for the salary and benefits of each University staff member proportionate to the time devoted to serving the Foundation. This amount totaled \$37,177 for the year ended June 30, 2017. In addition, the University will donate space, computer services and other support to the Foundation. This amount totaled \$2,500 for the year ended June 30, 2017.

NOTE 20: SUBSEQUENT EVENT

In July 2017, the Research Foundation transferred 646,741 shares of Pulse Biosciences, Inc. stock to the University. The Foundation carried the shares at a zero-cost basis and did not recognize any revenue or expense associated with the transfer based on its agency role. The University will record this investment using the fair value method.

Required Supplementary Information

Schedules of University's Share of Net Pension Liability

VRS State Employee Retirement Plan
For the Years Ended June 30, 2017, 2016 and 2015*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
University's proportion of the net pension liability	2.07063%	2.01167%	1.95702%
University's proportionate share of the net pension liability	\$136,471,000	\$123,166,000	\$109,562,000
University's covered payroll	\$ 81,802,831	\$ 77,640,742	\$ 75,442,144
University's proportionate share of the net pension liability as a percentage of its covered payroll	166.83%	158.64%	145.23%
Plan fiduciary net position as a percentage of the total pension liability	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data are available. However, additional years will be included as they become available.

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

VaLORS State Employee Retirement Plan
For the Years Ended June 30, 2017, 2016 and 2015*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
University's proportion of the net pension liability	0.57858%	0.48062%	0.50752%
University's proportionate share of the net pension liability	\$4,479,000	\$3,416,000	\$3,421,000
University's covered payroll	\$1,989,450	\$1,631,065	\$1,789,631
University's proportionate share of the net pension liability as a percentage of its covered payroll	225.14%	209.43%	191.16%
Plan fiduciary net position as a percentage of the total pension liability	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data are available. However, additional years will be included as they become available.

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

Schedules of University Contributions

VRS State Employee Retirement Plan
For the Years Ended June 30, 2008 through 2017

Date	Contributions in Relation to			University's Covered Payroll	Contribution as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
2017	\$ 11,023,973	\$ 11,023,973	\$ -	\$ 84,076,306	13.11%
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%

VaLORS State Employee Retirement Plan
For the Years Ended June 30, 2008 through 2017

Date	Contributions in Relation to			University's Covered Payroll	Contribution as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
2017	\$ 445,084	\$ 445,084	\$ -	\$ 2,122,770	20.97%
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%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

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

Page Left Intentionally Blank



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 31, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
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, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2017, 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

www.apa.virginia.gov | (804) 225-3350 | reports@apa.virginia.gov

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

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2017, 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 Schedule of University's Share of Net Pension Liability, the Schedule of University Contributions, and the Notes to Requirement

Supplementary Information on pages 57 through 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 May 31, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.


AUDITOR OF PUBLIC ACCOUNTS

LDJ/clj

Page Left Intentionally Blank

OLD DOMINION UNIVERSITY
Norfolk, Virginia

BOARD OF VISITORS

Carlton F. Bennett, Rector

Yvonne T. Allmond	Kay A. Kemper
Bruce Bradley	The Honorable Ross A. Mugler
Dr. Richard T. Cheng	Frank Reidy
Alton J. Harris	Donna L. Scassera
Michael J. Henry	The Honorable William D. Sessoms, Jr.
Larry R. Hill	Lisa B. Smith
Dr. Mary E. Maniscalco-Theberge	Robert M. Tata
Toykea S. Jones	Fred J. Whyte

OFFICIALS

John R. Broderick, President

David F. Harnage, Chief Operating Officer

Augustine O. Agho, Provost and Vice President for Academic Affairs

Alonzo C. Brandon, Vice President for University Advancement

Morris W. Foster, Vice President for Research

Ellen J. Neufeldt, Vice President for Student Engagement and Enrollment Services

September C. Sanderlin, Vice President for Human Resources