

COMMITTEE ON FINANCIAL AFFAIRS

November 16, 2018

8:00 – 8:45 a.m.

Board Room - Blow Memorial Hall

James A. Hixon, Chair

Mirza Baig, Vice Chair

- I. Introductory Remarks - Mr. Hixon
- II. Approval of Minutes - September 27, 2018
- III. Reports from Senior Vice President for Finance and Administration Samuel E. Jones and Vice President for Finance/Chief Financial Officer Amy S. Sebring
 - A. Maintain Four-Year Tuition Guarantee for In-State Undergraduate Students. **Resolution 14**.
 - B. Receipt of the Consolidated Financial Report of The College of William and Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College for the Fiscal Year Ended June 30, 2018 (*joint with Richard Bland College*). **Resolution 15**.
 - C. Receipt of the Financial Report of the Intercollegiate Athletic Department for the Fiscal Year Ended June 30, 2018. **Resolution 16**.
 - D. Approval of Interim Use of Funds and Establishment of Russell and Jeanne Baker Quasi-Endowment. **Resolution. 17**.
 - E. 2018 Debt Management Report. *Pre-Read*
 - F. 2018-2019 Operating Budget Summary. *Pre-Read*
 - G. Investment Update for Periods Ending September 30, 2018. *Pre-Read*
- IV. Report from Virginia Institute of Marine Science Dean John T. Wells
 - A. 2018-2019 Operating Budget Summary. *Pre-Read*
- V. Discussion
- VI. Adjourn

**COMMITTEE ON FINANCIAL AFFAIRS
MINUTES – SEPTEMBER 27, 2018**

MINUTES
Committee on Financial Affairs
September 27, 2018
Blow Memorial Hall – Room 201

Attendees: James A. Hixon, Chair; Mirza Baig, Vice Chair; S. Douglas Bunch; Anne Leigh Kerr; Todd A. Stottlemeyer; H. Thomas Watkins III; faculty committee representative Thomas J. Ward, faculty representative; and student committee representative Patrick Canteros. Others in attendance: President Katherine A. Rowe; Senior Vice President for Finance and Administration Samuel E. Jones; Vice President for Finance/Chief Financial Officer Amy S. Sebring; and Virginia Institute of Marine Science Dean and Director John T. Wells.

Chair James Hixon convened the Committee on Financial Affairs in Room 201 of Blow Memorial Hall at 9:15 a.m., and welcomed the new members in attendance. Recognizing a quorum was present, Mr. Hixon requested that two misspellings be corrected, then asked for a motion to approve the minutes of the April 20, 2018 meeting as corrected. Motion was made by Mr. Watkins, seconded by Mr. Stottlemeyer and approved by voice vote.

The main focus of the meeting was the review of, and action on, updates to the Six-Year Plans of both W&M and VIMS. The Chair noted that both institutions are required to submit six-year plans to the Commonwealth every odd year with Board-approved updates required in the even years. While the six-year plan narratives were included in the Board agenda book, Ms. Sebring highlighted changes in the university's plan, as detailed in **Resolution 17**.

General updates to the plan include:

- Revised revenue projections for both FY 2019 and 2020;
- The addition of incremental State funding coming out of the FY 2018 General Assembly session; and
- Recognition of increased financial aid expenditures consistent with the FY 2019 budget approved by the Board in April.

More specific adjustments include:

- A reduction in the increase in the four-year guaranteed in-state undergraduate tuition for new students from 6.4% (1.58% annualized) to 5.4% (1.31% annualized). Continuing in-state undergraduates experience with no increase in tuition under the W&M Promise.
- Salary adjustments reflect State and Board action for FY 2019 (no increase provided) and State authorization for FY 2020 (+2% authorized).
- Leveraging state funding for STEM-H allows for the reduction in in-state undergraduate tuition for incoming students while supporting campus investment in Data Science.

In response to a request from the Governor for possible operating and capital amendments to be considered prior to the 2019 General Assembly, Ms. Sebring also reviewed **Resolution 18**, W&M FY 20 Operating and Capital Budget Amendments, which requests \$950,000 in operating

funds in support of Data Science and \$10.7 million in capital funds to support the ground floor renovation of Swem Library to house a Center for Teaching Innovation.

After Committee discussion, it was recommended that **Resolution 17** be reworded to reflect the tuition guarantee and include the equivalent annualized increase in in-state undergraduate tuition as well as the fact that continuing in-state undergraduate students will experience no tuition increase.

Mr. Jones noted that approval of the Six-Year Plan only sets an upper boundary on any potential tuition increase. The Board will take formal action on any tuition increase for incoming in-state undergraduates at its November 2018 meeting.

VIMS Dean/Director John Wells then presented the VIMS Six-Year Plan and associated operating and capital budget amendments, as detailed in **Resolution 20** and **Resolution 21**. The primary adjustment to the VIMS plan was to include incremental funding from the State. VIMS operating amendments are for graduate financial aid and the monitoring of Bay Grasses. Capital amendments support the construction of a new Oyster Hatchery and new Fisheries Science Building.

Mr. Hixon moved adoption of the following resolutions as a block for recommendation to the full Board:

Resolution 17-Revised, W&M 2018-24 Six-Year Plan Update
Resolution 18, W&M FY 20 Operating and Capital Budget Amendments
Resolution 20, VIMS Six-Year Plan Update
Resolution 21, VIMS FY 20 Operating and Capital Budget Amendments

Motion was seconded by Mr. Stottlemyer and approved by voice vote of the Committee.
(**Resolution 17 Revised** is appended in the final minutes.)

Mr. Jones briefly commented on **Resolution 19**, Corporate Resolution to Transact Business and Confirm Authorized Business Agents for the College of William & Mary, which reflects the hiring of the new president. Mr. Hixon moved adoption of **Resolution 19**, motion was seconded by Mr. Bunch and approved by voice vote of the Committee.

The Chair then called on Mr. Baig to give a report from the Investments Subcommittee.

Following brief discussion and there being no other business to come before the Committee, the Committee adjourned at 10:30 a.m.

**WILLIAM & MARY
MAINTAIN FOUR-YEAR TUITION GUARANTEE FOR IN-STATE
UNDERGRADUATE STUDENTS**

For fiscal year 2020 (FY 2020), the administration recommends that the university maintain the William & Mary Promise as the operating model for enhancing and sustaining quality, affordability and access. The tuition structure included in the Promise, in combination with anticipated increases in state general fund support for the upcoming fiscal year, provides the university with the resources necessary to implement the revised Six-Year Plan approved by the Board of Visitors at its September 2018 meeting. Importantly, this tuition structure also provides a four-year tuition guarantee for incoming Virginia undergraduates, which, when combined with the university's commitment to provide need-based financial aid to low- and middle-income Virginia families, makes William & Mary one of the most affordable public institutions in Virginia.

In April 2013, the Board of Visitors approved **Resolution 25, Approval and Implementation: William and Mary Promise**, setting tuition rates for incoming full-time in-state undergraduate students for fiscal years 2014 through 2016. A review of the program shows that the university has been able to increase in-state applicants and maintain the overall quality of the undergraduate student body while generating the resources necessary to improve faculty and staff salaries and implement other institutional initiatives. Setting FY 2020 tuition for incoming full-time in-state undergraduates now provides prospective Virginia students and their families with tuition information prior to accepting an offer of admission.

Tuition and fees for out-of-state undergraduate as well as in-state and out-of-state graduate and professional students will be set by the Board at its April, 2019 meeting, reflecting anticipated actions by the 2019 General Assembly, market conditions for each student group, and comments received through public comment sessions

Revenue generated from this tuition increase, in combination with other revenues and reallocated funds, will likely be used to address personnel costs, including the university's share of state-mandated salary and fringe benefit increases, need-based financial aid, and institutional initiatives. The exact uses will be determined as part of the university's annual budget setting process which prioritizes available resources to meet the university's highest strategic priorities.

THEREFORE, BE IT RESOLVED, That the Board of Visitors of The College of William & Mary in Virginia, on the recommendation of the President, and after soliciting public comment, approves continuation of the William & Mary Promise as the operating model for the university, and as a result, for FY 2020 continuing in-state undergraduates will see no increase in tuition.

BE IT FURTHER RESOLVED, That the Board of Visitors of The College of William & Mary in Virginia, on the recommendation of the President, and after soliciting public comment, approves the FY 2020 tuition for incoming in-state undergraduates at \$18,375, with this rate to be guaranteed for four-years reflecting the equivalent of an annualized increase of 1.31% over the guarantee period.

**RECEIPT OF THE CONSOLIDATED FINANCIAL REPORT OF
THE COLLEGE OF WILLIAM & MARY IN VIRGINIA,
VIRGINIA INSTITUTE OF MARINE SCIENCE, AND RICHARD BLAND COLLEGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The Consolidated Financial Report of The College of William & Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College for the fiscal year ended June 30, 2018, and presented by William & Mary's Senior Vice President for Finance and Administration and Vice President for Finance/Chief Financial Officer to the Presidents of William & Mary and Richard Bland College, and the Rector and Board of Visitors.

The statements included in this consolidated Financial Report provide an analysis of the University (defined as the consolidated figures for William & Mary, the Virginia Institute of Marine Science, and Richard Bland College) and its affiliated foundations for fiscal year 2017-2018. William & Mary's financial management has prepared the consolidated financial statements and is responsible for the information for William & Mary, the Virginia Institute of Marine Science, and their affiliated foundations. Richard Bland College's management is responsible for all financial information for Richard Bland College and its affiliated foundation. The report is subject to a detailed audit to be conducted by the Auditor of Public Accounts.

RESOLVED, That the Unaudited Consolidated Financial Report for the Year Ended June 30, 2018 (*see separate booklet*) for The College of William & Mary in Virginia, Virginia Institute of Marine Science, and Richard Bland College is hereby received by the Board of Visitors.



WILLIAM & MARY

CHARTERED 1693

**Unaudited Consolidated Financial Report
For The Year Ended June 30, 2018**





WILLIAM & MARY

CHARTERED 1693

2017-2018 CONSOLIDATED FINANCIAL REPORT
FOR
THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA,
VIRGINIA INSTITUTE OF MARINE SCIENCE
AND
RICHARD BLAND COLLEGE

November 1, 2018

To the Board of Visitors of The College of William and Mary, Virginia Institute of Marine Science and Richard Bland College:

We are pleased to submit the following consolidated annual financial report for William & Mary, Virginia Institute of Marine Science and Richard Bland College for the fiscal year ended June 30, 2018. William & Mary's financial management has prepared the consolidated financial statements and is responsible for the information for William and Mary (W&M), the Virginia Institute of Marine Science (VIMS), and their affiliated foundations. Richard Bland College's (RBC) management is responsible for the financial information for RBC and its affiliated foundation. The financial statements have been prepared in conformity with generally accepted accounting principles consistently applied.

The statements contained in this report are intended to provide a picture of the flow of financial resources during the fiscal year 2017-18 and the balances available for the future.

Management believes that the current internal control systems provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These statements are augmented by written policies and organizational structure providing division of responsibilities, careful selection and training of the financial staff, and a program of internal audits.

The financial statements remain subject to audit by the State Auditor of Public Accounts.

Respectfully submitted,

Samuel E. Jones
Senior Vice President for Finance
and Administration
William & Mary

J. Tyler Hart
Acting Chief Financial Officer
Richard Bland College

**The College of William and Mary in Virginia
Richard Bland College**

June 30, 2018

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**THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA,
VIRGINIA INSTITUTE OF MARINE SCIENCE
AND RICHARD BLAND COLLEGE**

ANNUAL FINANCIAL REPORT 2017 - 2018

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**The College of William & Mary in Virginia,
Virginia Institute of Marine Science
and Richard Bland College
Consolidated Financial Statements**

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Unaudited)

This Management’s Discussion and Analysis (MD&A) is required supplemental information to the consolidated financial statements designed to assist readers in understanding the accompanying financial statements. The following information includes a comparative analysis between the current fiscal year ended June 30, 2018 and the prior year ended June 30, 2017. Significant changes between the two fiscal years and important management decisions are highlighted. The summarized information presented in the MD&A should be reviewed in conjunction with both the financial statements and associated footnotes in order for the reader to have a comprehensive understanding of the institution’s financial status and results of operations for fiscal year ended June 30, 2018. William & Mary’s (W&M) management has prepared the MD&A, along with the financial statements and footnotes. W&M’s management is responsible for all of the information presented for W&M, the Virginia Institute of Marine Science (VIMS), and their affiliated foundations. Richard Bland College’s (RBC) management is responsible for all of the information presented for RBC and its affiliated foundation.

The financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement Numbers 37, 38, and 63. Accordingly, the three financial statements required are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

These financial statements are consolidated statements that include W&M, VIMS and RBC. All three entities are agencies of the Commonwealth of Virginia reporting to the Board of Visitors of the College of William and Mary and are referred to collectively as the “University” within the MD&A as well as in the financial statements under the columns titled “University”, unless otherwise indicated.

The institutions’ affiliated foundations are also included in these statements consistent with *GASB Statement No. 61, The Financial Reporting Entity: Omnibus- An Amendment of GASB Statements No. 14 and 34*, however they are excluded from this MD&A, except where noted. The University has a total of nine foundations, of which the financial information for eight of the foundations is presented in the statements under the column titled "Component Units". While affiliated foundations are not under the direct control of the Board of Visitors, this presentation provides a more holistic view of resources available to support the University and its mission. Additional information and detail related to the foundations can be found in the Component Unit Financial Information footnote. The ninth foundation, Intellectual Properties, was established in FY08 and is presented as blended in the University column as required by GASB 61, because W&M has a voting majority of the board.

Financial Summary

Statement of Net Position

The Statement of Net Position provides a snapshot of the University’s financial position, specifically the assets, deferred outflows of resources, liabilities, deferred inflows of resources and resulting net position as of June 30, 2018. For comparative purposes, FY17 amounts have been restated to reflect beginning adjustments to Net Position. The information allows the reader to determine the University’s assets available for future operations, amounts owed by the University and the categorization of net position as follows:

- (1) Net Investment in Capital Assets – reflects the University’s capital assets net of accumulated depreciation and any debt attributable to their acquisition, construction or improvements.

- (2) Restricted – reflects the University’s endowment and similar funds whereby the donor has stipulated that the gift or the income from the principal, where the principal is to be preserved, is to be used to support specific programs. Donor restricted funds are grouped into generally descriptive categories of scholarships, research, departmental uses, etc.
- (3) Unrestricted – reflects a broad range of assets available to the University that may be used at the discretion of the Board of Visitors for any lawful purpose in support of the University’s primary mission of education, research and public service. These assets are derived from student tuition and fees, state appropriations, indirect cost recoveries from grants and contracts, auxiliary services sales and gifts.

Summary Statement of Net Position

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Assets:</u>				
Current	\$ 77,257,858	\$ 71,788,721	\$ 5,469,137	7.62%
Capital, net of accumulated depreciation	885,358,684	856,576,066	28,782,618	3.36%
Other non-current	141,761,274	149,767,015	(8,005,741)	-5.35%
Total assets	<u>1,104,377,816</u>	<u>1,078,131,802</u>	<u>26,246,014</u>	<u>2.43%</u>
<u>Deferred outflows of resources:</u>				
Pension related	15,690,143	25,860,334	(10,170,191)	-39.33%
Other post-employment benefits	6,663,137	-	6,663,137	100.00%
Loss on refunding of debt	5,629,432	6,402,817	(773,385)	-12.08%
Total deferred outflows of resources	<u>27,982,712</u>	<u>32,263,151</u>	<u>(4,280,439)</u>	<u>-13.27%</u>
<u>Liabilities:</u>				
Current	86,614,928	89,969,689	(3,354,761)	-3.73%
Non-current	432,391,886	440,778,740	(8,386,854)	-1.90%
Total liabilities	<u>519,006,814</u>	<u>530,748,429</u>	<u>(11,741,615)</u>	<u>-2.21%</u>
<u>Deferred inflows of resources:</u>				
Pension related	9,031,000	3,885,000	5,146,000	132.46%
Other post-employment benefits	11,259,506	-	11,259,506	100.00%
Gain on refunding of debt	588,563	667,347	(78,784)	-11.81%
Total deferred inflows of resources	<u>20,879,069</u>	<u>4,552,347</u>	<u>16,326,722</u>	<u>358.64%</u>
<u>Net Position:</u>				
Net investment in capital assets	654,706,685	629,209,015	25,497,670	4.05%
Restricted	85,169,319	94,428,441	(9,259,122)	-9.81%
Unrestricted	<u>(147,401,359)</u>	<u>(148,543,279)</u>	<u>1,141,920</u>	<u>0.77%</u>
Total net position	<u>\$592,474,645</u>	<u>\$575,094,177</u>	<u>\$ 17,380,468</u>	<u>3.02%</u>

The overall result of the University’s FY18 operations was an increase in net position of approximately \$17.4 million or 3.02 percent, bringing total net position to \$592.5 million. The growth is due to an increase in the net investment in capital assets of \$25.5 million and a slight increase in unrestricted funds of \$1.1 million. These increases were offset by a decrease in restricted net assets of \$9.3 million.

Total assets increased by \$26.2 million. Capital assets, net of accumulated depreciation, increased by \$28.8 million primarily as a result of ongoing construction projects for instruction, research and residential facilities offset by capitalization of completed projects. These projects are discussed in more detail under *Capital Asset and Debt Administration* below. Current assets increased by \$5.5 million due to an increase in

investments, accounts receivable, due from the Commonwealth offset by a decrease to cash. Other non-current assets decreased by \$8.0 million as a result of a decrease in cash and investments. The \$4.3 million decrease in deferred outflows of resources is due to the recording of pension liability obligations of \$10.2 million offset by the increases in deferred outflows relating to the implementation of GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Total liabilities decreased by \$11.7 million, which reflects a net decrease in both current liabilities and non-current liabilities. The change in current liabilities was primarily attributable to a decrease in accounts payable and accrued expenses. Non-current liabilities decreased by \$8.4 million due to decreases associated with pension and OPEB liabilities and normal payment of debt for bonds payable offset by increases related to issuance of new notes payable debt.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results from operations for the fiscal year. Revenues for the daily operation of the University are presented in two categories: operating and non-operating. Operating revenues include the significant categories of tuition and fees, grants and contracts, and the sales of auxiliary enterprises representing exchange transactions. Non-operating revenues include the significant categories of state appropriations, gifts and investment income representing non-exchange transactions. Net other revenues include capital appropriations, grants and contributions.

Summary Statement of Revenues, Expenses and Changes in Net Position

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 317,904,203	\$ 329,795,811	\$(11,891,608)	-3.61%
Operating expenses	<u>467,000,859</u>	<u>457,435,383</u>	<u>9,565,476</u>	<u>2.09%</u>
Operating gain/(loss)	(149,096,656)	(127,639,572)	(21,457,084)	16.81%
Net Non-operating revenues	<u>131,911,222</u>	<u>124,156,152</u>	<u>7,755,070</u>	<u>6.25%</u>
Income/(Loss) before other revenues	(17,185,434)	(3,483,420)	(13,702,014)	-393.35%
Net other revenues	<u>34,565,904</u>	<u>41,714,723</u>	<u>(7,148,819)</u>	<u>-17.14%</u>
Increase in net position	<u>\$ 17,380,470</u>	<u>\$ 38,231,303</u>	<u>\$(20,850,833)</u>	<u>-54.54%</u>

Overall, the result from operations was an increase in net position of \$17.4 million. This resulted in a net change year over year of negative \$20.9 million. The decrease was due to increases in operating expenditures as described further in the following section entitled *Summary of Operating Expenses*.

Focusing only on operating revenues and expenses, the decrease of \$11.9 million in operating revenue was driven primarily by a decrease in tuition and fees due to a change in methodology in calculating third party revenue. See the following section of *Summary of Operating and Non-Operating Revenues net of Non-Operating Expenses* for further details. Operating expenses increased notably in instruction and auxiliary enterprises. See the following section of *Summary of Operating Expenses* for further details.

Because state appropriations for the University are treated as non-operating revenues, the University will typically display an operating loss for the year. For FY18, state appropriations contributed almost \$78.1 million or 59.2 % of non-operating revenue as shown in summary below.

The following table provides additional details of the operating, non-operating and other revenues of the University net of non-operating expenses.

Summary of Operating and Non-Operating Revenues net of Non-Operating Expenses

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	\$ 171,626,392	\$ 183,722,612	\$ (12,096,220)	-6.58%
Federal, State, Local and Non-governmental grants and contracts	45,501,339	46,235,148	(733,809)	-1.59%
Auxiliary Enterprise, net of scholarship allowances	94,038,333	93,751,701	286,632	0.31%
Other	6,738,139	6,086,350	651,789	10.71%
Total Operating Revenues	<u>317,904,203</u>	<u>329,795,811</u>	<u>(11,891,608)</u>	<u>-3.61%</u>
Non-Operating:				
State Appropriations	78,058,470	76,479,905	1,578,565	2.06%
Gifts, Investment Income and other income and expenses	53,852,752	47,676,247	6,176,505	12.96%
Total Non-Operating	<u>131,911,222</u>	<u>124,156,152</u>	<u>7,755,070</u>	<u>6.25%</u>
Other Revenues, Gains and (Losses):				
Capital Appropriations	28,258,864	28,540,554	(281,690)	-0.99%
Capital Grants and Gifts	6,727,420	14,272,718	(7,545,298)	-52.87%
Loss on disposal of assets	(420,380)	(1,098,549)	678,169	100.00%
Total Other Revenues, Gains and (Losses)	<u>34,565,904</u>	<u>41,714,723</u>	<u>(7,148,819)</u>	<u>-17.14%</u>
Total Revenues	<u>\$ 484,381,329</u>	<u>\$ 495,666,686</u>	<u>\$ (11,285,357)</u>	<u>-2.28%</u>

Within the operating revenue category, student tuition and fees decreased \$12.1 million, net of scholarship allowances due to a change in methodology related to third party tuition contracts, like those held by *Virginia529* for the benefit of our students. A slight decrease in Federal and State grants and contracts was offset by increases in Local and Non-governmental Grants and Auxiliary enterprise and other revenue. Non-operating revenues grew, with increases in State Appropriations, Gifts, Investment Income and other income and expenses. The University experienced a decrease in Total Other Revenues due to the timing of capital project funding and the completion of construction projects.

Details of the operating expenses of the University are summarized below:

	<u>Summary of Operating Expenses</u>			
	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Expenses:				
Instruction	\$ 137,109,680	\$ 125,405,482	\$ 11,704,198	9.33%
Research	56,488,325	54,704,041	1,784,284	3.26%
Public Service	37,734	32,481	5,253	16.17%
Academic Support	37,918,226	35,845,132	2,073,094	5.78%
Student Services	17,892,384	17,976,121	(83,737)	-0.47%
Institutional Support	46,284,414	47,133,319	(848,905)	-1.80%
Operation and Maintenance of Plant	28,980,602	26,411,278	2,569,324	9.73%
Student Aid	17,677,163	32,661,886	(14,984,723)	-45.88%
Auxiliary Enterprise	89,202,816	84,582,694	4,620,122	5.46%
Depreciation	35,038,325	32,254,322	2,784,003	8.63%
Other Operating Expenses	371,190	428,627	(57,437)	-13.40%
Total Operating Expenses	<u>\$ 467,000,859</u>	<u>\$ 457,435,383</u>	<u>\$ 9,565,476</u>	<u>2.09%</u>

For FY18, operating expenses increased most significantly in Instruction, Academic Support, Operation and Maintenance of Plant and Auxiliary Enterprises. Student Aid reflected a decrease due to a change in methodology in calculating third party payments.

Statement of Cash Flows

The Statement of Cash Flows provides detailed information about the University's sources and uses of cash during the fiscal year. Cash flow information is presented in four distinct categories: Operating, Non-capital Financing, Capital Financing and Investing Activities. This statement aids in the assessment of the University's ability to generate cash to meet current and future obligations.

	<u>Summary Statement of Cash Flows</u>			
	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Cash Flows from:				
Operating Activities	\$ (113,204,333)	\$ (87,799,812)	\$ (25,404,521)	-28.93%
Non-capital Financing	128,823,893	116,191,661	12,632,232	10.87%
Capital and related Financing	(24,482,199)	(25,593,486)	1,111,287	4.34%
Investing Activities	(3,562,988)	(3,283,076)	(279,912)	8.53%
Net Increase/(Decrease) in Cash	<u>\$ (12,425,627)</u>	<u>\$ (484,713)</u>	<u>\$ (11,940,914)</u>	<u>2463.50%</u>

Cash flow from operations and non-capital financing reflects the sources and uses of cash to support the core mission of the University. The primary sources of cash supporting the core mission of the University in FY18 were tuition and fees - \$163.8 million, auxiliary enterprise revenues - \$93.2 million, state appropriations - \$78.1 million, research grants and contracts - \$45.8 million and gifts - \$47.3 million.

The primary uses of operating cash in FY18 were payments to employees - \$259.8 million representing salaries, wages and fringe benefits and payments to suppliers of goods and services - \$130.0 million.

Cash flow from capital financing activities reflects the activities associated with the acquisition and construction of capital assets including related debt payments. The primary sources of cash in FY18 were proceeds from issuance of debt – \$27.6 million, capital appropriations - \$27.0 million, and capital grants and contributions - \$6.6 million. The primary uses of cash were for capital expenditures - \$62.1 million and debt payments - \$23.5 million.

The change in cash flows from investing activities is due to investment income and purchase and sale of investments.

Capital Asset and Debt Administration

William & Mary

The following list provides highlights of capital projects completed, in progress, or in design during FY18.

- ***Projects Completed in FY18*** – Three projects were placed into service in FY18. The upgrades to the Recreation Services swimming pool were completed along with reconstruction of the Montgomery Practice Field and Plumeri Baseball Field improvements. These projects will be closed out as soon as warranty inspections are completed.
- ***Projects in Progress*** – Including the three projects above, there are 38 projects currently in progress, with eleven in design, five in construction, and 22 in the process of being closed out.

Projects in Design – A brief description of each project in design at the end of the fiscal year is provided below:

- Century Project Busch Field Team Building will construct a 3,100 square-foot one story building to support the field hockey program. The new building, located on the south end of Busch Field, will contain permanent team locker facilities, public toilet facilities to support spectators at Busch Field, goalie’s gear storage, a trainer’s room, and a VIP viewing component on the rooftop. The project will encompass storm water infrastructure for the new service roadway and site integration of the field hockey.
- Wren Building ADA Ramp constructs a permanent ADA compliant ramp entry to the south side of the building. The project also removes an antiquated and non-functioning wheelchair lift, and also disassembles the temporary aluminum ramp entry on the north side of the building.
- Alumni House expansion project will construct a significant addition to the existing Bright House and 1990’s addition, enabling Advancement to significantly improve support to W&M alumni.
- Reveley Garden will construct a version of the 1926 Charles Gillette garden that was designed as part of W&M’s Beaux-Arts campus plan but was never built. The project will create new places of repose and beauty on the south side of W&M’s campus, as well as move to fulfilling Gillette’s thoughtful and compelling design for the early twentieth-century campus.
- One Tribe Place stabilization project will preserve the 1984 addition for future renovation or repurposing of this portion of the residence hall.

- Lake Matoaka Dam Spillway Improvement project addresses Virginia dam safety regulations, which require that high risk dams have the capacity to pass off 90% of the flow created by probable maximum precipitation. The capacity will be created by hardening the downstream face of the dam using roller compacted concrete in order to allow passage of flow by overtopping without damage to the earthen embankment.
- Muscarelle Museum Expansion will demolish the existing museum. Construction of the Martha Wren Briggs Center will provide a more modern and program-oriented facility, supporting current and traveling exhibits.
- Blow Hall IT Data Center Renovation installs a new HVAC system for computer rack cooling to meet current cooling loads. The project also adds redundant power sources with two new uninterruptible power supplies and a new generator power source.
- Fine and Performing Arts Phase I and II will expand and renovate Phi Beta Kappa (PBK) Hall, construct a new music building, and improve pedestrian and vehicular circulation in the immediate vicinity. PBK will house Theater, Dance and Speech and feature a 100-seat student laboratory, a 250-seat studio (black box) theater and a 499 seat renovated main theater. The music building will feature a 125-seat recital hall and a 450-seat recital hall. Both facilities will be uniquely suited to the instructional and acoustic needs of the supported programs.
- Integrated Science Center IV (ISC4) will support the Mathematics, Computer Science, Engineering Design and Kinesiology programs which are currently housed in facilities that lack sufficient space and robust building systems. This new facility will accommodate state of the art instruction and research by constructing 124,000 square feet of new space and will renovate 10,000 square feet of existing space in order to connect ISC 4 to the adjacent ISC 1. The facility will be constructed on the site of the former Millington Hall.
- Sadler West Addition constructs a 46,000 square foot addition to the western side of the Sadler West building and renovates the old Student Health Center with another 8,000 square feet for use. This project supports the relocation and consolidation of the university's mission essential Student Affairs program which is spread across multiple facilities across campus.

Projects in Construction - A brief description of each project in construction at the end of the fiscal year is provided below:

- The campus accessibility project is ongoing. Current activities include the installation of a ramp, elevator and accessible restrooms in Adair Hall and improvements to various pathways across campus. Construction will conclude late in calendar year 2018.
- Work continues on the Stormwater improvement project that will achieve compliance with state stormwater regulations and Total Maximum Daily Limit (TMDL) guidelines. This work will be completed in September 2018.
- The renovation of Landrum Hall will bring over 200 beds up to current standards will all new rooms and restrooms, lounge and collaboration spaces, and support spaces.
- The McLeod Tyler Wellness Center project collocates campus physical/mental health resources and selected recreational activities which promote relaxation (*e.g.*, yoga, massage, etc.). The synergy of these activities is intended for stress prevention via intervention and to create an environment which promotes relaxation and healing.
- West Utility Plant project work has started with site work and preliminary utility siting. The project will create a new regional utility plant that will reduce the load on the existing Swem Plant and create sufficient chilled/hot water capability to support the west side of South Campus, including a new Fine and Performing Arts Complex. Total duration of construction is expected to be sixteen months.

Looking ahead, W&M will be centered on significant construction efforts in the coming year with Fine and Performing Arts Phase I and II, the Alumni House, Busch Field Team Building and West Plant all active in 2019. We will also explore academic space needs balanced against existing inventory and master plan data to determine best courses of action for renovations or new construction to support current and future programs. Residence Hall recapitalization program will continue with tentative plans to demolish the Green and Gold Village facilities and rebuild on another campus site in the distant future.

Virginia Institute of Marine Science

The following list provides highlights of property acquisitions completed in FY18 as well as capital projects in progress or in design during FY18.

- **Property Acquisition Completed in FY18** - VIMS has authority from the Commonwealth of Virginia to purchase property adjacent to its Gloucester Point and Wachapreague campuses as well as to acquire property for the Virginia Estuarine & Coastal Research Reserve as privately-owned properties become available.
- **Projects Completed in FY18** - The Consolidated Scientific Research Facility project involves the planning of a new 32,000 square foot building to provide research, study, office and technology space for the departments of Information Technology, Marine Advisory Services, Virginia Sea Grant, Center for Coastal Resources Management, and the Communications Center. Achieved substantial completion and occupants relocated to the new facility. The building dedication occurred April 2018.
- **Projects in Progress** - VIMS had several projects either in design or under construction in FY18.

Projects in Design

- The Facilities Management Building project involves the planning of a new 15,000 square foot modern building to relocate and house Facilities Management administrative offices, maintenance trades shops, automotive and equipment repair garage, grounds keeping, housekeeping, and central shipping and receiving units. Daniel & Company continues to work on restoring the VIMS staff parking area that was displaced by construction. Archeology is complete and archeologists remain on “stand by” to observe excavations as they arise. The concrete foundation, block walls, floor slabs, and structural steel are complete. Brick veneer has begun and is 75% complete.
- The Mechanical Systems and Repair Building Envelope of Chesapeake Bay Hall project involves the replacement of the heating and ventilation systems and repair of the exterior envelope of Chesapeake Bay Hall. Schematic design and cost estimates were submitted to the Virginia Bureau of Capital Outlay Management (BCOM) for review. The cost estimate was substantially greater than the proposed project budget which warranted a new approach to accomplish VIMS program requirements. Per the recommendations of the Virginia Department of Planning & Budget and BCOM, VIMS was awarded a new project to *Construct: New Research Facility* to replace Chesapeake Bay Hall in May 2018. Closing out of current contracts related to this project is in progress. The new project will be executed under the same project appropriation.
- The Eastern Shore Laboratory Complex project involves the planning for a new building complex totaling 22,218 square feet that includes a new Administration Building, Education Building, Visiting Scientist/Student Center, Shellfish Aquaculture Hatchery, Maintenance Shop, and a Storage Shop. VIA Design Architects has completed the preliminary design. The preliminary design cost estimate and value engineering analysis has been submitted to BCOM for review. Waiting for the funding report to be distributed from BCOM in order to complete the design.

- The Oyster Hatchery project involves the planning for a new state of the art 22,000 square foot Oyster Hatchery which will house space for research, education, and training as well as space for outreach activities with industry that promotes economic development. BCWH has been selected as the Architect/Engineer to provide design services. Program verification and schematic design activities are ongoing. Selection of a Construction Manager (CM) began in June 2018. The CM will be responsible for validating constructability during the design phase and manage the installation of the designed systems.

Construction

- The Research Vessel project involves the planning and construction of a new custom designed research vessel to replace the R/V Bay Eagle. The vessel's hull and pilothouse has been constructed. Generators, propulsion engines and the gear box have been installed in the engine room. Hydraulic piping and electrical distribution systems are complete. Final assembly and erection of equipment accessories were in progress at the end of fiscal year 2018 with delivery expected in Fall, 2018.

Richard Bland College

The following provides highlights of capital projects in progress during FY18.

- **Project In Progress in FY18**-The renovation of the former Humanities and Social Sciences into residential space was approved by the General Assembly in 2016 and funded by Section 9(c) bonds issued in FY17. This project aligns with RBC's strategic plan and will expand the residential population for RBC, providing a stronger student experience in preparation of successful transfer to a four-year institution and achievement of a bachelor's degree. Once complete, this project will provide an additional 75 beds to the campus, bringing the capacity for residential population up to 475 students. The rooms are traditional residential space, with one to three beds per room and shared bathroom suites. It is expected that the project will be completed in August 2018.

Debt Activity

The University's long-term debt is comprised of bonds payable, notes payable, capital lease payable and installment purchases. The bonds payable are Section 9(c) bonds which are general obligation bonds issued and backed by the Commonwealth of Virginia on behalf of the University. These bonds are used to finance capital projects which will produce revenue to repay the debt. The University's notes payable consists of Section 9(d) bonds, which are issued by the Virginia College Building Authority's (VCBA) Pooled Bond Program. These bonds are backed by pledges against the University's general revenues. As of June 30, 2018 the University has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of \$65.6 million and \$165.0 million respectively.

The outstanding balance of 9(c) bonds can be summarized in five major categories as follows excluding unamortized premiums/discounts: (1) Renovation of Dormitories - \$29.9 million, (2) Graduate Housing - \$3.7 million, (3) New Dormitory - \$19.4 million, (4) Commons Dining Hall - \$4.9 million and (5) RBC Student Housing Conversion - \$2.4 million. The majority of the 9(d) balance at June 30, 2018 is related to: One Tribe Place - \$19.8 million, West Utilities Plant - \$13.8 million, Cooling Plant - \$16.6 million, the Miller Hall School of Business - \$14.0 million, the Barksdale dormitories - \$13.2 million, Integrated Science Center - \$11.8 million, Marshall-Wythe Law School Library - \$8.7 million, McLeod Tyler Wellness Center - \$9.0, Improvement of Auxiliary facilities \$8.0 million, Expansion of the Sadler Center - \$6.8 million, the Parking Deck -\$5.8 million, Recreation Sports Center - \$5.1 million, Athletic related projects - \$9.6 million and various other projects - \$8.2 million.

Economic Outlook

Our strong economic health continues to reflect W&M's ability to recruit students, its status as a public institution within the Commonwealth of Virginia's higher education system, its ability to raise revenue through tuition and fees, grants and contracts and philanthropic donations, and its on-going commitment to reallocate funds to support the University's highest priorities.

W&M continues to recruit, admit and retain top-caliber students even as the university competes against the most selective public and private institutions in the country. The freshman applicant pool continues to be strong, with 14,644 students seeking admission for Fall 2018. With an incoming class size of 1,546 students, W&M has almost 9.5 applicants for every student enrolled. Given its robust applicant pool, the credentials of admitted students remain strong, reflecting the university's highly selective nature. These statistics, coupled with the university's academic reputation, suggest a strong continuing student demand for the future. Similarly, VIMS continues to see significant success in its academic, research and advisory programs, particularly in high profile areas such as coastal flooding, sea-level rise, and water quality. Over the past several years, enrollment at RBC, a separate two-year college governed by the Board of Visitors has fluctuated as the college has raised its admissions standards. However, based on Fall 2018 enrollments, it appears that enrollments are beginning to stabilize as investments the college has made in academic advising, student support services, and retention programs begin to pay off.

State support for operations is a function of general economic conditions and the priority assigned to higher education among competing demands for Commonwealth resources. After ending FY16 with a revenue shortfall, the Commonwealth announced budget reductions for all public colleges and universities as well as most state agencies. The actions resulted in both one-time reductions for W&M in FY17 and FY18, as well as base operating reductions in FY18 totaling approximately \$2.2 million in state support at W&M. Despite those reductions, other revenue sources remained strong in FY18 largely mitigating the impact to the University overall. In addition, the 2018-2020 Appropriation Act adopted by the General Assembly and signed into law by the Governor provides significant new investments of state general fund support to W&M, VIMS, and RBC over the course of the upcoming biennium.

FY18 also showed strong financial performance for the university's endowment. As of June 30, 2018, the market value of W&M's total endowment reached almost \$962.2 million, including \$26.7 million in revocable endowments held by third parties up seven percent over the prior year total of \$899 million. The Board of Visitors' endowment recognized a 6.6% one-year investment return as of June 30, 2018. The William and Mary Investment Trust recognized an 8.9% return. Together, these remain the largest of the investment portfolios and both remain highly diversified across asset classes.

W&M also continued its fundraising success in FY18, generating almost \$88 million in new philanthropic gifts this year and bringing the total in gifts raised as part of an eight-year, \$1 billion fundraising campaign to over \$800 million. The number of donors continues to be robust with more than 50,000 total donors, including almost 19,000 undergraduate alumni donors. W&M boasts one of the highest donor retention rates in the nation and first among US public colleges and university in alumni giving. The university fully anticipates meeting its campaign goal by 2020 as planned.

In addition to operating dollars, investments in academic facilities and infrastructure remain strong. With the start of the new academic year, W&M opened the new McLeod Tyler Wellness Center, which brings together the university's student health center, counseling center, and wellness programs. With significant support from the Commonwealth for additional construction and renovation of academic facilities, W&M is well under way in planning for a series of new projects that will provide state-of-the-art educational and performance facilities for our music, theater and dance programs, as well as the last phase of our Integrated Science Center. Likewise, with support from the Commonwealth, VIMS is also continuing to invest in its facilities and physical inventory, with the construction of a new research vessel nearing completion and the design of a new Oyster Hatchery and Eastern Shore Research Facilities under way.

Consolidated Financial Statements

The College of William and Mary in Virginia, Virginia Institute of Marine Science
and Richard Bland College - Consolidated Report
Statement of Net Position
As of June 30, 2018

ASSETS	University	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	\$ 19,523,342	\$ 29,426,121
Investments (Note 3)	33,181,482	29,074,663
Appropriation available	362,426	-
Receivables, net of allowance for doubtful accounts (Note 5)	15,014,625	3,162,605
Notes receivable (Note 5)	419,206	-
Due from commonwealth	4,343,910	-
Inventories	487,136	3,964
Pledges receivable	-	9,935,171
Prepaid expenses	3,772,943	421,862
Other assets	152,788	49,428
Total current assets	<u>77,257,858</u>	<u>72,073,814</u>
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	26,132,154	9,440,216
Restricted investments (Note 3)	90,785,286	417,176,136
Investments (Note 3)	19,899,385	298,507,340
Receivables	-	20,689,944
Notes receivable, net of allowance for doubtful accounts (Note 5)	2,066,449	-
Pledges receivable	-	29,877,439
Capital assets, nondepreciable (Note 6)	160,242,040	15,791,211
Capital assets, depreciable net of accumulated depreciation (Note 6)	725,116,644	20,329,722
Other assets	-	2,360,818
Other restricted assets	2,878,000	157,121,665
Total non-current assets	<u>1,027,119,958</u>	<u>971,294,491</u>
Total assets	<u>1,104,377,816</u>	<u>1,043,368,305</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	15,690,143	
Other postemployment benefits	6,663,137	
Loss on refunding of debt	5,629,432	
Total deferred outflows of resources	<u>27,982,712</u>	
Total assets and deferred outflows of resources	<u>1,132,360,528</u>	
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	41,631,025	1,092,399
Unearned revenue	13,430,793	400,665
Deposits held in custody for others	434,465	302,176
Advance from the Treasurer of Virginia (Note 18)	3,674,524	-
Long-term liabilities-current portion (Note 9)	27,138,940	1,883,247
Other liabilities	299,260	47,301
Total current liabilities	<u>86,614,928</u>	<u>3,725,788</u>
Long-term liabilities-non-current portion (Note 9)	<u>432,391,886</u>	<u>62,408,971</u>
Total liabilities	<u>519,006,814</u>	<u>66,134,759</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	9,031,000	
Other postemployment benefits	11,259,506	
Gain on refunding of debt	588,563	
Total deferred inflows of resources	<u>20,879,069</u>	
Total liabilities and deferred inflows of resources	<u>539,885,883</u>	
NET POSITION		
Net investment in capital assets	654,706,685	13,927,364
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	10,071,241	144,400,831
Research	-	24,329,358
Loans	-	24,230
Departmental uses	47,535,524	156,791,866
Other	-	205,564,858
Expendable:		
Scholarships and fellowships	9,055,907	117,221,554
Research	35,342	6,232,904
Debt service	2,654,776	-
Capital projects	586,450	26,827,348
Loans	655,062	89,644
Departmental uses	14,575,017	182,523,462
Other	-	36,922,414
Unrestricted	<u>(147,401,359)</u>	<u>62,377,713</u>
Total net position	<u>\$ 592,474,645</u>	<u>\$ 977,233,546</u>

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

**The College of William and Mary in Virginia, Virginia Institute of Marine Science
and Richard Bland College - Consolidated Report
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018**

	University	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$38,919,629	\$ 171,626,392	\$ -
Gifts and contributions	-	32,678,788
Federal grants and contracts	35,692,764	-
State grants and contracts	2,836,209	-
Local grants and contracts	301,390	-
Nongovernmental grants and contracts	6,670,976	-
Auxiliary enterprises, net of scholarship allowances of \$17,732,792	94,038,333	-
Other	6,738,139	9,825,746
	<u>317,904,203</u>	<u>42,504,534</u>
Operating expenses: (Note 11)		
Instruction	137,109,680	8,355,892
Research	56,488,325	910,093
Public service	37,734	624,085
Academic support	37,918,226	3,157,933
Student services	17,892,384	586,677
Institutional support	46,284,414	14,639,881
Operation and maintenance of plant	28,980,602	4,026,068
Student aid	17,677,163	12,066,371
Auxiliary enterprises	89,202,816	7,695,127
Depreciation	35,038,325	938,450
Other	371,190	5,017,839
	<u>467,000,859</u>	<u>58,018,416</u>
Total operating expenses	<u>467,000,859</u>	<u>58,018,416</u>
Operating loss	<u>(149,096,656)</u>	<u>(15,513,882)</u>
Non-operating revenues/(expenses):		
State appropriations (Note 12)	78,058,470	-
Gifts	47,261,224	-
Net investment revenue	6,590,246	55,771,743
Pell grant revenue	5,901,663	-
Interest on capital asset related debt	(6,911,986)	(277,270)
Other non-operating revenue	5,968,115	3,789,951
Other non-operating expense	(4,956,510)	(430,797)
	<u>131,911,222</u>	<u>58,853,627</u>
Net non-operating revenues	<u>131,911,222</u>	<u>58,853,627</u>
Income/(loss) before other revenues, expenses, gains or losses	<u>(17,185,434)</u>	<u>43,339,745</u>
Capital appropriations	28,258,864	-
Capital grants and contributions	6,727,420	9,209,295
Loss on disposal of assets	(420,380)	-
Additions to permanent endowments	-	23,038,741
	<u>34,565,904</u>	<u>32,248,036</u>
Net other revenues, expenses, gains or losses	<u>34,565,904</u>	<u>32,248,036</u>
Increase/(Decrease) in net position	<u>17,380,470</u>	<u>75,587,781</u>
Net position - beginning of year, restated (Note 2)	<u>575,094,175</u>	<u>901,645,765</u>
Net position - end of year	<u>\$ 592,474,645</u>	<u>\$ 977,233,546</u>

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

**The College of William and Mary in Virginia, Virginia Institute of Marine Science
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2018**

Cash flows from operating activities:	
Tuition and fees	\$ 163,773,817
Scholarships	(18,524,903)
Research grants and contracts	45,849,631
Auxiliary enterprise charges	93,156,971
Payments to suppliers	(130,002,006)
Payments to employees	(259,783,782)
Payments for operation and maintenance of facilities	(14,187,958)
Loans issued to students and employees	(246,801)
Collection of loans to students and employees	461,739
Other receipts	6,812,185
Other payments	(513,226)
	<hr/>
Net cash used by operating activities	(113,204,333)
Cash flows from noncapital financing activities:	
State appropriations	78,058,470
Gifts	47,261,224
Agency receipts	345,669
Agency payments	(895,412)
Direct Loan receipts	45,235,885
Direct Loan disbursements	(45,235,885)
Other non-operating receipts	7,108,642
Other non-operating disbursements	(3,054,700)
	<hr/>
Net cash provided by noncapital financing activities	128,823,893
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	27,605,390
Capital appropriations	27,049,040
Capital grants and contributions	6,632,182
Advance from the Treasurer of Virginia	3,674,524
Payment to the Treasurer of Virginia	(4,246,592)
Insurance payments	326,474
Capital expenditures	(62,132,521)
Principal paid on capital-related debt	(14,705,746)
Interest paid on capital-related debt	(8,754,419)
Proceeds from sale of capital assets	69,469
	<hr/>
Net cash used by capital and related financing activities	(24,482,199)
Cash flows from investing activities:	
Investment income	3,904,154
Investment expense	(178,375)
Proceeds from sale of investments	84,312,084
Purchase of investments	(91,600,851)
	<hr/>
Net cash provided by investing activities	(3,562,988)
Net increase/(decrease) in cash	(12,425,627)
Cash-beginning of year	<hr/> 58,075,202
Cash-end of year	<hr/> <u>\$ 45,649,575</u>

**The College of William and Mary in Virginia, Virginia Institute of Marine Science
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2018**

Reconciliation of Cash-end of year-Cash Flow Statement, to Cash and Cash Equivalents-Statement of Net Position :

Statement of Net Position	
Cash and cash equivalents	\$ 19,523,342
Restricted cash and cash equivalents	26,132,154
Less: Securities lending -Treasurer of Virginia	<u>(5,921)</u>
Net cash and cash equivalents	<u>\$ 45,649,575</u>

Reconciliation of net operating expenses to net cash used by operating activities:

Net operating loss	\$ (149,096,656)
Adjustments to reconcile net operating expenses to cash used by operating activities:	
Depreciation expense	35,038,325
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables-net	(834,861)
Inventories	(20,868)
Prepaid expense	(389,698)
Accounts payable	(4,087,073)
Unearned revenue	(1,618,677)
Deposit held for others	44,420
Federal loan contribution	(89,491)
Compensated absences	381,107
Pension liability	(14,455,000)
Deferred outflows of resources related to pension obligations	10,170,191
Deferred inflows of resources related to pension obligations	5,146,000
Other post-employment benefits liability	(455,331)
Other post-employment benefits asset	2,878,000
Deferred outflows of resources related to other post-employment benefits	(6,663,137)
Deferred inflows of resources related to other post-employment benefits	11,259,506
Software licenses liability	(269,054)
Other liability	<u>(142,036)</u>
Net cash used in operating activities	<u>\$ (113,204,333)</u>

**NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL
AND RELATED FINANCING TRANSACTIONS**

Amortization of a deferred loss	\$ 694,601
Donated capital assets	\$ 95,238
Loss on disposal of assets	\$ 490,402
Reduction/amortization of bond premium	\$ 2,702,675
Net accumulated change in fair value of investments	\$ 2,909,705

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

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**Notes to
Financial Statements
Year Ended June 30, 2018**

William & Mary, Virginia Institute of Marine Science and Richard Bland College - Consolidated Report

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The consolidated financial statements of William & Mary includes the financial statements of the William & Mary (William & Mary or W&M) located in Williamsburg, Virginia, its York River campus at the Virginia Institute of Marine Science (VIMS) and Richard Bland College (RBC), collectively referred to as “the University”. All three entities are recognized as distinct state agencies within the Commonwealth of Virginia’s statewide system of public higher education with a shared governing board appointed by the Governor of Virginia. In this capacity, the University’s Board of Visitors is responsible for overseeing governance of all three entities. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

The accompanying financial statements present all funds for which the University’s Board of Visitors is financially accountable. Related foundations and similar non-profit corporations for which the University is not financially accountable are also a part of the accompanying financial statements under Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These entities are legally separate and tax exempt organizations formed to promote the achievements and further the aims and purposes of the University. These component units are described in Note 13.

The University has nine component units as defined by GASB Statement 61 – the College of William & Mary Foundation, the Marshall-Wythe School of Law Foundation, the Alumni Association, the Athletic Educational Foundation, the School of Business Foundation, the Virginia Institute of Marine Science Foundation, the Richard Bland College Foundation, the Real Estate Foundation and the Intellectual Property Foundation. These organizations are separately incorporated tax-exempt entities and have been formed to promote the achievements and further the aims and purposes of the University. The Foundations are private, non-profit organizations, and as such the financial statement presentation follows the recommendation of accounting literature related to non-profits. As a result, reclassifications have been made to convert the Foundation’s financial information to GASB format.

Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources or income which the Foundations hold and invest are 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 with the exception of the Intellectual Property Foundation. The Intellectual Property Foundation is presented blended in the University column because the University has a voting majority of the governing board of the Foundation.

The College of William & Mary Foundation is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia to “aid, strengthen, and expand in every proper and useful way” the work of William & Mary. For additional information on the College of William & Mary Foundation, contact the Foundation at Post Office Box 8795, Williamsburg, Virginia 23187.

The Marshall-Wythe School of Law Foundation is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Virginia, established for the purpose of soliciting and receiving gifts to support the W&M School of Law. The Foundation supports the Law School through the funding of scholarships and fellowships, instruction and research activities, and academic support. For additional information on the Marshall-Wythe School of Law Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia 23187.

The William & Mary Alumni Association is a private, not-for-profit corporation organized under the laws of the

Commonwealth of Virginia which provides aid to W&M in its work, and promotes and strengthens the bonds of interest between and among William & Mary and its alumni. For additional information on the Alumni Association, contact the Alumni Association Office at Post Office Box 2100, Williamsburg, Virginia 23187-2100.

The William & Mary Athletic Educational Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to promote, foster, encourage and further education, in all enterprises of all kinds at William & Mary, but it principally supports W&M’s Athletic Department. For additional information on the Athletic Educational Foundation, contact the Foundation Office at 751 Ukrop Drive, Williamsburg, Virginia 23187.

The William & Mary Business School Foundation is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Business School Foundation is to solicit and receive gifts to endow the W&M School of Business Administration and to support the School through the operations of the Foundation. For additional information on the William & Mary Business School Foundation, contact the Foundation Office at Post Office Box 2220, Williamsburg, Virginia, 23187.

The Virginia Institute of Marine Science Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to support the Virginia Institute of Marine Science primarily through contributions from the public. For additional information on the Virginia Institute of Marine Science Foundation, contact the Foundation Office at Post Office Box 1346, Gloucester Point, Virginia, 23062.

The Richard Bland College Foundation is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia which provides scholarships, financial aid, and books to RBC’s students, along with support for faculty development and cultural activities. For additional information on the Richard Bland College Foundation, contact the Foundation Office at 11301 Johnson Road, South Prince George, Virginia 23805.

The William & Mary Real Estate Foundation is a non-profit organization incorporated under the laws of the Commonwealth of Virginia in September 2006. Its purpose is to acquire, hold, manage, sell, lease and participate in the development of real properties in support of the educational goals of William & Mary and VIMS. For additional information on the William & Mary Real Estate Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia, 23187-8795.

The Intellectual Property Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2007. Its purpose is to handle all aspects of the intellectual property of William & Mary in support of the educational goals of the University. The Intellectual Property Foundation is presented blended with the University because the University has a voting majority of the board. For additional information on the William & Mary Intellectual Property Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia, 23187-8795.

The Omohundro Institute of Early American History and Culture (OIEAHC), sponsored by William & Mary, is a separate non-profit entity organized exclusively for educational purposes. Its Executive Board determines matters of policy and has responsibility for financial and general management as well as resource development. The Executive Board consists of up to six members, including the chief academic officer of the University as an ex officio member. Given university representation on the board, the support to the Institute is blended in the University column on the financial statements. For FY18, the university contributed \$980,588 to the Institute through direct payment of expenses.

The following summarizes the unaudited financial position of the OIEAHC at June 30, 2018:

Assets	<u>\$ 18,816,241</u>
Liabilities	77,985
Net Assets	<u>18,738,256</u>
Liabilities and Net Assets	<u>\$ 18,816,241</u>

The total unaudited receipts and disbursements of the OIEAHC were \$3,319,055 and \$2,428,951 respectively, for the year ended June 30, 2018. Separate financial statements for the OIEAHC may be obtained by writing the Treasurer, Omohundro Institute of Early American History and Culture, P.O. Box 8781, Williamsburg, Virginia 23187-8781.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable GASB pronouncements. Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*. The University follows accounting and reporting standards for reporting as a special-purpose government engaged in business-type activities and accordingly, is reported within a single column in the basic financial statements.

Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting, including depreciation expense related to capitalized fixed assets. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Bond premiums and discounts are deferred and amortized over the life of the debt. All significant intra-agency transactions have been eliminated.

Newly Adopted Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the University’s fiscal year beginning July 1, 2017. The primary objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense.

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value, and reported in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (See Note 3). Realized and unrealized gains and losses are reported in investment income as non-operating 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 government, 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 estimated uncollectible amounts.

Inventories

Inventories at the Williamsburg and York River (Virginia Institute of Marine Science) campuses are reported using the consumption method, and valued at average cost. RBC does not report any inventory.

Prepaid Expenses

As of June 30, 2018, the University's prepaid expenses included items such as insurance premiums, membership dues, conference registrations and publication subscriptions for FY19 that were paid in advance.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. Interest expense of \$285,214 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2018. The University's capitalization policy on equipment includes all items with an estimated useful life of two years or more. All three campuses capitalize all items with a unit price greater than or equal to \$5,000. The Williamsburg and York River campuses capitalize buildings and improvements other than buildings with a cost greater than or equal to \$100,000. Richard Bland College capitalizes buildings and improvements other than buildings with a cost greater than or equal to \$5,000. Library materials for the academic or research libraries are capitalized as a collection and are valued at cost. The Williamsburg and York River campuses capitalize intangible assets with a cost greater than or equal to \$50,000 except for internally generated computer software which is capitalized at a cost of \$100,000 or greater. Richard Bland College capitalizes intangible assets with a cost greater than or equal to \$20,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40-50 years
Infrastructure	10-50 years
Equipment	2-30 years
Library Books	10 years
Intangible Assets – computer software	3-20 years

Collections of works of art and historical treasures are capitalized at cost or fair value at the date of donation. These collections, which include rare books, are considered inexhaustible and therefore are not depreciated.

Deferred 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.

Unearned Revenue

Unearned revenue represents revenue collected but not earned as of June 30, 2018. This is primarily comprised of revenue for student tuition and fees paid in advance of the semester, amounts received from grant and contract sponsors that have not yet been earned and advance ticket sales for athletic events.

Compensated Absences

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, notes payable, capital lease payable and installment purchase agreements 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. Also included is pension liability for defined benefit plans and other postemployment benefits administered through the Virginia Retirement System and other postemployment benefits administered through the Department of Human Resource Management.

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

Other Postemployment Benefits

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources, deferred inflows of resources and OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition,

benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

Deferred Inflows of Resources

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

The University's net position is classified as follows:

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

Restricted Net Position – Nonexpendable – includes endowments 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.

Restricted Net Position – 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. 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.

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 difference between the actual charge for goods and services provided by the University and the amount that is 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 calculation that computes scholarship discounts and allowances on a college-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 non-operating 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, and Direct Loans, which includes Stafford Loans, Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS Loans. Federal programs are audited in accordance with 2 CFR 200, subpart F.

Classification of Revenues and Expenses

The University presents its revenues and expenses as operating or non-operating based on the following criteria:

Operating revenues - includes 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, (3) most Federal, State and Local grants and contracts and (4) interest on student loans.

Non-operating revenues - includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, and GASB Statement No. 34, such as State appropriations and investment income.

Operating and Non-operating expenses - includes 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.

2. RESTATEMENT OF NET POSITION

Net position as previously reported at June 30, 2017	\$ 650,273,281
Implementation of GASB 75	
William & Mary	(62,837,301)
Virginia Institute of Marine Science	(9,275,670)
Richard Bland College	(2,938,871)
Richard Bland College	
Audit Adjustments	<u>(127,264)</u>
Net position at July 1, 2017	<u>\$ 575,094,175</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 held by the University is maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et. seq. Code of Virginia with the exception of cash held by the University in foreign currency. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board's Financial Affairs Committee. In accordance with the Board of Visitors' Resolution 6(R), November 16, 2001, Resolution 12(R) November 21-22, 2002, and as updated by the Board in April 2015 investments can be made in the following instruments: cash, U.S. Treasury and Federal agency obligations, commercial bank certificates of deposit, commercial paper, bankers' acceptances, corporate notes and debentures, money market funds, mutual funds, convertible securities and equities. Money market funds are cash equivalents and can be withdrawn anytime so they are presented at amortized cost.

Credit Risk

Credit risk is 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.

Concentration of Credit Risk

Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents five percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. The University's investment policy does not limit the amount invested in U.S. Government or Agency Securities. As of June 30, 2018, the University had 5.02% of its total investments in the Federal National Mortgage Association.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. All investments are registered and held in the name of the University and therefore, the University does not have this risk.

Interest Rate Risk

The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University limits its exposure to interest rate risk by limiting its maximum maturity lengths of investments and structuring its portfolio to maintain adequate liquidity to ensure the University's ability to meet its operating requirements.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University had no investments in foreign currency but had foreign deposits in the amount of \$230,300 in British pounds and \$406,505 in Euros as of June 30, 2018.

Fair Value Measurement

Certain assets and liabilities of the University are reflected in the accompanying financial statements at fair value. The University follows the provisions in GASB Statement 72, *Fair Value Measurement and Application*. Fair value is 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 (an exit price). GASB 72 establishes a fair value hierarchy and specifies that the valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described below:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at the measurement date;

Level 2—Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or inputs other than quoted prices that are observable (directly or indirectly) for the asset or liability; and

Level 3—Prices, inputs or sophisticated modeling techniques, which are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As required by GASB 72, assets and liabilities are classified within the level of the lowest significant input considered in determining fair value.

GASB 72 permits a governmental unit to establish the fair value of investments in non-governmental entities that do not have a readily determinable fair value by using the Net Asset Value (“NAV”) per share (or its equivalent), such as member units or an ownership interest in partners’ capital. The University uses the NAV or its equivalent as provided by the investment funds to value its investments in certain limited partnerships. Investments valued using the NAV or its equivalent are not categorized within the fair value hierarchy.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table presents investments as of June 30, 2018:

Investments Measured at Fair Value

	<u>6/30/2018</u>	<u>Level 1</u>	<u>Level 2</u>
Investments by Fair Value Level			
Debt Securities			
Corporate Bonds	\$ 29,408,380	\$ -	\$ 29,408,380
Commercial Paper	2,536,748	-	2,536,748
Agency Unsecured Bonds and Notes	10,571,684	-	10,571,684
Agency Mortgage Backed Securities	16,208,278	-	16,208,278
Mutual Funds	495,262	495,262	-
Fixed Income and Comingled Funds	<u>29,699,233</u>	<u>29,699,233</u>	<u>-</u>
Total Debt Securities	<u>88,919,585</u>	<u>30,194,495</u>	<u>58,725,090</u>
Equity Securities			
Common and Preferred Stocks	4,276,111	4,276,111	-
Equity Index	9,550,171	9,550,171	-
Equity Index and Pooled Funds	33,764,353	33,764,353	-
Real Estate	<u>1,730,166</u>	<u>1,730,166</u>	<u>-</u>
Total Equity Securities	<u>49,320,801</u>	<u>49,320,801</u>	<u>-</u>
Total Investments by Fair Value level	<u>138,240,386</u>	<u>79,515,296</u>	<u>58,725,090</u>
Other - Rare Coin	280		
Investments measured at the Net Asset Value (NAV)			
Equity Hedge Long/Short	1,266,990		
Diversified Event Driven	508,492		
Managed Futures/Commodities	788,881		
Relative Value	2,477,989		
Private Equity	554,251		
Funds in Liquidation	<u>12,285</u>		
Total Investments measured at the NAV	<u>5,608,888</u>		
Total Investments	<u>\$ 143,849,554</u>		

Securities traded on U.S. or foreign exchanges are valued at the last reported sales price or, if there are no sales, at the latest bid quotation. Mutual funds and exchange traded funds listed on U.S. or foreign exchanges are valued at the closing net asset value; mutual funds not traded on national exchanges are valued in good faith at the pro-rata interest in

the net assets of these entities. Short-term government and agency bonds and notes are valued based on market driven observations and securities characteristics including ratings, coupons and redemptions. The values of limited partnerships are determined in good faith at the pro-rata interest in the net assets of these entities. Investments held by these entities are valued at prices which approximate fair value. The estimated fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors or third party administrators of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. These investments are valued using valuation techniques such as the market approach, income approach, and cost approach. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

The following table summarizes liquidity provisions related to the University's investments measured at Net Asset Value:

Investments Measured at NAV

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity Hedge Long/Short	\$ 1,266,990	\$ -	Monthly, Quarterly	35-95 days
Diversified Event Driven	508,492	-	Quarterly	95 days
Managed Futures/Commodities	788,881	-	Monthly	10-65 days
Relative Value	2,477,989	-	Quarterly, Semi-Annual	65-100 days
Private Equity	554,251	899,217	Illiquid	
Funds in Liquidation	<u>12,285</u>	<u>-</u>	Illiquid	
Total Investments measured at NAV	<u>\$ 5,608,888</u>	<u>\$ 899,217</u>		

Interest Rate Risk: Maturities

<u>Type of Investment</u>	<u>June 30, 2018</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>
Agency unsecured bonds and notes:				
Federal Home Loan Bank	\$ 1,186,104	-	1,186,104	-
Federal Home Loan Mortgage Corp	3,147,712	1,665,112	1,482,600	-
Federal National Mortgage Assn	4,938,752	2,991,540	1,947,212	-
United States Treasury Notes	1,299,116	1,299,116	-	-
Agency mortgage backed securities:				
Federal Home Loan Mortgage Corp	7,144,848	2,450,981	-	4,693,867
Federal National Mortgage Assn	9,063,430	2,050,628	-	7,012,802
Commercial Paper	2,536,748	2,536,748	-	-
Corporate Bonds	29,408,380	28,159,569	1,248,811	-
Fixed Income and Commingled Funds	29,699,233	-	29,699,233	-
Mutual and money market funds:				
Money market	13,088,368	13,088,368	-	-
Mutual funds - Green Funds	105,888	105,888	-	-
Mutual funds - Wells Fargo	389,373	-	389,373	-
State non-arbitrage program	<u>23,148,227</u>	<u>23,148,227</u>	<u>-</u>	<u>-</u>
	<u>\$ 125,156,179</u>	<u>\$ 77,496,177</u>	<u>\$ 35,953,333</u>	<u>\$ 11,706,669</u>

Credit & Concentration of Credit Risks

	<u>June 30, 2018</u>	<u>Moody's Credit Rating</u>	<u>S&P Credit Rating</u>	<u>Unrated</u>
<u>Cash Equivalents</u>				
Money market	\$ 13,088,368	\$ -	\$ -	\$13,088,368
Commercial Paper	547,204	-	-	547,204
State non-arbitrage program - AAAM	23,148,227	-	23,148,227	-
Securities lending	5,921	-	-	5,921
	<u>36,789,720</u>	<u>-</u>	<u>23,148,227</u>	<u>13,641,493</u>
<u>Investments</u>				
Agency unsecured bonds and notes:				
Federal Home Loan Bank - AAA	\$ 1,186,104	\$ -	\$ 1,186,104	\$ -
Federal Home Loan Mortgage Corp - AAA	3,147,712	-	3,147,712	-
Federal National Mortgage Assn - AAA	4,938,752	-	4,938,752	-
United States Treasury Notes - AAA	1,299,116	-	1,299,116	-
Agency mortgage backed securities:				
Federal Home Loan Mortgage Corp	7,144,848	-	-	7,144,848
Federal National Mortgage Assn	9,063,430	-	-	9,063,430
Commercial Paper	2,536,748	-	-	2,536,748
Corporate Bonds:				
Aa2	1,195,542	1,195,542	-	-
Aa3	4,194,960	4,194,960	-	-
A1	10,167,732	10,167,732	-	-
A2	8,324,307	8,324,307	-	-
A3	5,525,840	5,525,840	-	-
Fixed Income and Commingled Funds	29,699,233	-	-	29,699,233
Mutual funds:				
Green Funds	105,888	-	-	105,888
Wells Fargo	389,373	-	-	389,373
	<u>88,919,584</u>	<u>\$ 29,408,380</u>	<u>\$ 10,571,684</u>	<u>\$ 48,939,520</u>
<u>Other Investments</u>				
Other	54,939,689			
Rare coins	280			
Property held as investment for endowments	6,600			
	<u>54,946,569</u>			
Total cash equivalents and investments	<u>\$ 180,655,873</u>			

4. DONOR RESTRICTED ENDOWMENTS

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 Management of Institutional Funds Act, Code of Virginia Title 55, Chapter 15 sections 268.1-268.10, 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- 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 the payout percentage to the average market value of the investment portfolio for the three previous calendar year-ends. The payout percentage is reviewed and adjusted annually as deemed prudent.

The University, at FY18 year-end, had a net appreciation of \$15,440,383 which is available to be spent and is reported in the Statement of Net Position in the following categories: Restricted Expendable for Scholarships and Fellowships - \$8,440,343, Restricted Expendable for Capital Projects - \$205,402, Restricted Expendable for Research - \$71,082, Restricted Expendable for Departmental Uses - \$5,367,088 and Unrestricted - \$1,356,468. The amount for Capital Projects was reclassified to Unrestricted because the total net position for Restricted Expendable for Capital Projects was negative for the University.

5. ACCOUNTS AND NOTES RECEIVABLES

Receivables include transactions related to accounts and notes receivable and are shown net of allowance for doubtful accounts for the year ending June 30, 2018 as follows:

Accounts receivable consisted of the following at June 30, 2018:

Student Tuition and Fees	\$ 3,361,839
Auxiliary Enterprises	603,601
Federal, State and Non-Governmental Grants & Contracts	8,993,788
Other Activities	<u>2,057,829</u>
Gross Receivables	15,017,057
Less: allowance for doubtful accounts	<u>(2,432)</u>
Net Receivables	<u>\$ 15,014,625</u>

Notes receivable consisted of the following at June 30, 2018:

Current portion:	
Federal student loans and promissory notes	<u>\$ 419,206</u>
Non-current portion:	
Federal student loans and promissory notes	\$ 2,186,886
Less: allowance for doubtful accounts	<u>(120,437)</u>
Net non-current notes receivable	<u>\$ 2,066,449</u>

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2018 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	\$ 25,350,793	\$ -	\$ -	\$ (264,026)	\$ 25,086,767
Inexhaustible artwork and Historical treasures	76,179,388	-	104,703	-	76,284,091
Construction in Progress	<u>20,262,312</u>	<u>-</u>	<u>56,913,185</u>	<u>(18,304,315)</u>	<u>58,871,182</u>
Total non-depreciable capital assets	<u>121,792,493</u>	<u>-</u>	<u>57,017,888</u>	<u>(18,568,341)</u>	<u>160,242,040</u>
Depreciable capital assets:					
Buildings	911,571,259	-	17,504,200	-	929,075,459
Equipment	84,646,980	(521,016)	4,284,517	(1,669,958)	86,740,523
Infrastructure	82,353,537	-	91,535	-	82,445,072
Other improvements	13,708,960	(74,153)	363,218	-	13,998,025
Library Materials	69,154,406	-	934,011	(483,250)	69,605,167
Computer software	<u>6,120,087</u>	<u>(29,500)</u>	<u>2,489,761</u>	<u>-</u>	<u>8,580,348</u>
Total depreciable capital assets	<u>1,167,555,229</u>	<u>(624,669)</u>	<u>25,667,242</u>	<u>(2,153,208)</u>	<u>1,190,444,594</u>
Less accumulated depreciation for:					
Buildings	267,097,226	-	25,036,404	-	292,133,630
Equipment	52,918,436	(290,690)	5,456,217	(1,374,113)	56,709,850
Infrastructure	38,165,727	-	1,786,601	-	39,952,328
Other improvements	6,402,222	(74,153)	670,647	-	6,998,716
Library Materials	62,721,047	-	1,252,985	(483,250)	63,490,782
Computer software	<u>5,236,673</u>	<u>(29,500)</u>	<u>835,471</u>	<u>-</u>	<u>6,042,644</u>
Total accumulated depreciation	<u>432,541,331</u>	<u>(394,343)</u>	<u>35,038,325</u>	<u>(1,857,363)</u>	<u>465,327,950</u>
Depreciable capital assets, net	<u>735,013,898</u>	<u>(230,326)</u>	<u>(9,371,083)</u>	<u>(295,845)</u>	<u>725,116,644</u>
Total capital assets, net	<u>\$ 856,806,391</u>	<u>\$ (230,326)</u>	<u>\$ 47,646,805</u>	<u>\$ (18,864,186)</u>	<u>\$ 885,358,684</u>

Capitalization of Library Books

The methods employed to value the general collections of W&M's Earl Gregg Swem Library, W&M's Marshall-Wythe Law Library, VIMS' Hargis Library, and RBC Library are based on average cost determined by each library. The average cost of the Swem Library purchases of books was \$43.46 for FY18. The average cost of the Law Library purchases of books was \$89.41 for FY18. Special collections maintained by each library are valued at historical cost or acquisition value. The average cost of library books purchased for VIMS was \$51.70 for FY18. The average cost of library books purchased for RBC was \$20.06 for FY18. The changes reflected in the valuation are due to the recognition of depreciation in accordance with GASB Statements No. 34 and 35, as well as purchases, donations and disposals.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2018:

Current Liabilities:

Employee salaries, wages, and fringe benefits payable	\$ 27,690,576
Vendors and supplies accounts payable	4,829,088
Capital projects accounts and retainage payable	6,386,193
Accrued interest payable	<u>2,725,168</u>
Total current liabilities-accounts payable and accrued liabilities	<u><u>\$ 41,631,025</u></u>

8. COMMITMENTS

At June 30, 2018, outstanding construction commitments totaled approximately \$95,467,363.

Commitments also exist under various operating leases for buildings, equipment and computer software. In general, the leases are for one to three year terms with renewal options on the buildings, equipment and certain computer software for additional one-year terms. In most cases, these leases will be replaced by similar leases. William & Mary has also entered into one twenty-year lease for space in the Applied Science Research Center Building at the Jefferson Center for Research and Technology in Newport News, Virginia. Rental expense for the fiscal year ending June 30, 2018, was \$4,001,048.

As of June 30, 2018, the following total future minimum rental payments are due under the above leases:

<u>Year Ending June 30, 2018</u>	<u>Amount</u>
2019	\$ 1,602,573
2020	1,495,460
2021	1,288,272
2022	193,478
2023	12,567
Total	<u><u>\$ 4,592,350</u></u>

9. LONG-TERM LIABILITIES

The University's long-term liabilities consist of long-term debt (further described in Note 10), and other long-term liabilities. A summary of changes in long-term liabilities for the year ending June 30, 2018 is presented as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Installment Purchases	\$ 3,036,865	\$ -	\$ (491,534)	\$ 2,545,331	\$ 452,488
Capital Leases Payable	21,519,594	120,583	(613,107)	21,027,070	810,043
Other long-term obligations	658,768	-	-	658,768	38,070
Notes Payable	148,510,926	27,775,001	(11,239,943)	165,045,984	10,065,000
Bonds Payable	<u>70,655,261</u>	<u>-</u>	<u>(5,063,837)</u>	<u>65,591,424</u>	<u>4,174,027</u>
 Total long-term debt	 244,381,414	 27,895,584	 (17,408,421)	 254,868,577	 15,539,628
 Perkins Loan Fund Balance	 2,395,816	 -	 (89,491)	 2,306,325	 -
Accrued compensated absences	11,202,243	11,583,350	(11,202,243)	11,583,350	11,021,378
Software licenses	1,418,117	450,068	(719,122)	1,149,063	577,934
Net Pension Liability	129,482,000		(14,455,000) *	115,027,000	-
Net OPEB Liabilities	<u>82,048,281</u>		<u>(7,451,770) *</u>	<u>74,596,511</u>	<u>-</u>
 Total long-term liabilities	 <u>\$ 470,927,871</u>	 <u>\$ 39,929,002</u>	 <u>\$ (51,326,047)</u>	 <u>\$ 459,530,826</u>	 <u>\$27,138,940</u>

* net decrease is shown

10. LONG-TERM DEBT

Bonds Payable

William & Mary's bonds are issued 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 and are backed by the full faith, credit and taxing power of the Commonwealth and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Listed below are the bonds outstanding at year-end:

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Fiscal year Maturity</u>	<u>Balance as of June 30, 2018</u>
Section 9(c) bonds payable:			
Dormitory, Series 2009C	4.000	2021	\$ 373,723
Dormitory, Series 2009C	4.000	2022	1,367,437
Dormitory, Series 2009D	5.000	2022	1,355,000
Renovate Residence Halls, Series 2010A2	2.950 - 4.400	2030	2,960,000
Dormitory, Series 2012A	5.000	2024	779,720
Dormitory, Series 2013A	2.000 - 5.000	2033	3,820,000
Dormitory, Series 2013B	4.000	2026	844,462
Dormitory, Series 2014A	3.000 - 5.000	2034	7,800,000
Dormitory, Series 2014B	5.000	2020	633,033
Dormitory, Series 2015A	3.000 - 5.000	2035	<u>9,925,000</u>
Renovation of Dormitories			29,858,375
Graduate Housing, Series 2009D	5.000	2022	1,040,000
Graduate Housing, Series 2013B	4.000	2026	1,200,361
Graduate Housing, Series 2015B	4.000 - 5.000	2028	<u>1,482,414</u>
Graduate Housing			3,722,775
Construct New Dormitory, Series 2010A2	2.950 - 4.400	2030	1,345,000
Construct New Dormitory, Series 2011A	2.200 - 5.000	2031	10,885,000
Construct New Dormitory, Series 2013A	2.000 - 5.000	2033	<u>7,185,000</u>
Construct New Dormitory			19,415,000
Renovate Commons Dining Hall, Series 2009D	5.000	2022	2,235,000
Renovate Commons Dining Hall, Series 2012A	5.000	2024	1,289,537
Renovate Commons Dining Hall, Series 2013B	4.000	2026	<u>1,389,450</u>
Commons Dining Hall			4,913,987
RBC Student Housing Conversion 2016A	3.000 - 5.000	2036	2,380,000
Total bonds payable			60,290,137
Unamortized premiums (discounts)			<u>5,301,286</u>
Net bonds payable			<u>\$ 65,591,423</u>

Notes Payable

Section 9(d) bonds, issued through the Virginia College Building Authority's Pooled Bond Program, are backed by pledges against the general revenues of William & Mary and are issued to finance other capital projects. The principal and interest on bonds and notes are secured by the net income of specific auxiliary activities or from designated fee allocations. The following are notes outstanding at year-end:

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Fiscal year Maturity</u>	<u>Outstanding Balance as of June 30, 2018</u>
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2010B	5.000	2021	\$ 345,000
Barksdale Dormitory, Series 2012A	5.000	2024	365,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	4,865,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	5,665,000
Barksdale Dormitory, Series 2014B	4.000	2026	980,000
Barksdale Dormitory, Series 2014B	5.000	2024	640,000
Barksdale Dormitory, Series 2016A	3.000	2027	375,000
Barksdale Dormitory			<u>13,235,000</u>
Parking Deck, Series 2010B	5.000	2021	730,000
Parking Deck, Series 2012A	5.000	2024	770,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	1,040,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	2,810,000
Parking Deck, Series 2014B	4.000	2026	485,000
Parking Deck			<u>5,835,000</u>
Recreation Sports Center, Series 2010B	5.000	2021	165,000
Recreation Sports Center, Series 2012A	5.000	2024	180,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	3,440,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	1,095,000
Recreation Sports Center, Series 2014B	4.000	2026	190,000
Recreation Sports Center			<u>5,070,000</u>
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,480,000
Improve Athletics Facilities, Series 2014B	4.000	2026	260,000
Improve Athletics Facilities, Series 2014B	5.000	2024	245,000
Improve Athletics Facilities, Series 2016A	3.000	2027	150,000
Improve Athletics Facilities II, Series 2013A&B	2.000 - 5.000	2034	1,380,000
Improve Athletics Facilities II, Series 2017A	2.125 - 5.000	2038	2,145,000
Improve Athletics Facilities			<u>5,660,000</u>
Marshall-Wythe Library, Series 2014B	5.000	2020	255,000
Law School Library, Series 2010B	5.000	2021	200,000
Law School Library, Series 2012A	5.000	2024	220,000
Law School Library, Series 2014B	4.000 - 5.000	2026	1,640,000
Law School Renovations, Series 2013A&B	2.000 - 5.000	2034	5,850,000
Law School Library, Series 2016A	3.000 - 5.000	2028	525,000
Law School Library			<u>8,690,000</u>
Magnet Facility, Series 2010B	5.000	2021	440,000
Magnet Facility, Series 2012A	5.000	2024	455,000
Magnet Facility			<u>895,000</u>

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Fiscal year Maturity</u>	<u>Outstanding Balance as of June 30, 2018</u>
School of Business, Series 2014B	4.000 - 5.000	2026	10,575,000
School of Business, Series 2016A	3.000 - 5.000	2028	<u>3,425,000</u>
School of Business			14,000,000
Integrated Science Center, Series 2009A	3.250 - 5.000	2021	660,000
Integrated Science Center, Series 2014B	4.000 - 5.000	2026	5,545,000
Integrated Science Center, Series 2015B	3.000 - 5.000	2029	3,755,000
Integrated Science Center, Series 2016A	3.000 - 5.000	2028	<u>1,800,000</u>
Integrated Science Center			11,760,000
Cooling Plant & Utilities, Series 2009B	5.000	2020	1,075,000
Cooling Plant & Utilities, Series 2010A1&A2	3.750 - 5.500	2031	8,145,000
Cooling Plant & Utilities, Series 2016A	3.000 - 5.000	2030	<u>7,360,000</u>
Cooling Plant & Utilities			16,580,000
Power Plant Renovations, Series 2014B	4.000 - 5.000	2026	2,175,000
Power Plant Renovations, Series 2016A	3.000 - 5.000	2028	<u>700,000</u>
Power Plant Renovations			2,875,000
Busch Field Astroturf Replacement, Series 2009B	5.000	2020	130,000
Busch Field Astroturf Replacement, Series 2016A	3.000 - 5.000	2030	<u>860,000</u>
Busch Field Astroturf			990,000
Improve Aux Facilities Project 2017A	2.125 - 5.000	2038	8,030,000
West Utilities Plant 2017A	2.125 - 5.000	2038	13,840,000
Williamsburg Hospital/School of Education 2014B	5.000	2024	800,000
Williamsburg Hospital/School of Education, 2016A	3.000	2027	<u>470,000</u>
Williamsburg Hospital/School of Education			1,270,000
J. Laycock Football Facility, Series 2014B	5.000	2024	1,840,000
J. Laycock Football Facility, Series 2016A	3.000	2027	<u>1,100,000</u>
J. Laycock Football Facility			2,940,000
Residence Hall Fire Safety Systems, Series 2014B	5.000	2024	640,000
Residence Hall Fire Safety Systems, Series 2016A	3.000	2027	<u>375,000</u>
Residence Hall Fire Safety Systems			1,015,000
Ash Lawn-Highland Barn, Series 2010A1&A2	3.750 - 5.500	2031	565,000
Expand Sadler Center, Series 2012B	3.000 - 5.000	2033	5,955,000
Expand Sadler Center, Series 2013A&B	2.000 - 5.000	2034	<u>865,000</u>
Sadler Center			6,820,000
One Tribe Place, Series 2013A&B	2.000 - 5.000	2034	19,810,000

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Fiscal year Maturity</u>	<u>Outstanding Balance as of June 30, 2018</u>
Integrative Wellness Center 2015A	3.000 - 5.000	2036	9,005,000
RBC Student Housing Conversion 2017A	5.000	2038	1,545,000
Total 9(d) bonds			150,430,000
Unamortized premiums (discounts)			<u>14,615,984</u>
Net notes payable			<u>\$ 165,045,984</u>

Installment Purchases

At June 30, 2018, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance energy performance contracts and the acquisition of equipment. The lengths of purchase agreements range from two to fifteen years, and the interest rate charges are from 3.1 to 4.7 percent. The outstanding balance of installment purchases as of June 30, 2018 is \$2,545,331.

Capital Leases

Richard Bland College (RBC) has entered into a thirty year capital lease with Richard Bland College Foundation (RBCF) for the provision of a student housing complex with two dormitories on the RBC campus. RBC has accounted for the acquisition of the complex and its furniture and equipment as a capital lease, and therefore has recorded the facility and furnishings as depreciable capital assets and has also recorded a corresponding lease liability in long-term debt on the Statement of Net Position. The RBC student housing complex is included in depreciable capital assets in the amount of \$24,148,380. Accumulated amortization on the assets acquired under the capital lease is included with depreciation expense in the Statement of Revenues, Expenses and Changes in Net Position. The outstanding balance of the lease liability as of June 30, 2018 is \$20,802,630. RBC has also recorded an Other Long-Term Obligation which is payable to RBCF for repayment of the bonds for the dormitories for the amount due on the bonds which is greater than the total fair value of assets received. The outstanding balance as of June 30, 2018 is \$658,768. William & Mary has entered into Capital Lease agreements for the purchase of printers and copiers. The outstanding balance of these agreements as of June 30, 2018 is \$224,440.

Long-term debt matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>BAB Interest Subsidy</u>	<u>Net Interest</u>
2019	\$ 15,539,628	\$ 9,235,914	\$ 196,894	\$ 9,039,020
2020	16,236,088	8,532,329	189,953	8,342,376
2021	16,679,824	7,812,412	178,665	7,633,747
2022	16,944,621	7,031,472	166,559	6,864,913
2023	17,348,758	6,216,656	153,575	6,063,081
2024-2028	81,862,231	19,999,809	535,277	19,464,532
2029-2033	48,294,988	7,605,826	88,405	7,517,421
2034-2038	21,844,089	1,356,126	-	1,356,126
2039-2043	201,079	2,413	-	2,413
Unamortized premiums	19,917,271			
Total	<u>\$254,868,577</u>	<u>\$ 67,792,957</u>	<u>\$ 1,509,328</u>	<u>\$ 66,283,629</u>

The interest subsidies for the Build America Bonds (BAB) being paid to the University by the Federal Government are subject to change in future years. In the event of a reduction or elimination of the subsidies, the University would be responsible for paying the full interest due on the BAB bonds.

Prior Year Defeasance of Debt

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous and current fiscal years for which the proceeds were deposited into irrevocable trusts with escrow agents 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 included in the University's financial statements. At June 30, 2018, \$11,940,000 of the defeased bonds was outstanding.

11. EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries, Wages and Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	123,836,109	9,440,007	2,017,879	1,815,685	-	137,109,680
Research	38,172,532	14,713,612	1,375,851	2,226,330	-	56,488,325
Public service	9,055	27,709	295	675	-	37,734
Academic support	29,046,861	4,069,349	102,637	4,699,379	-	37,918,226
Student services	10,415,773	7,311,433	102,199	62,979	-	17,892,384
Institutional support	38,765,777	6,372,903	356,461	789,273	-	46,284,414
Operation and maintenance of plant	5,543,096	21,237,986	13,551	2,185,969	-	28,980,602
Scholarships and related expenses	2,733,694	752,974	14,190,133	362	-	17,677,163
Auxiliary enterprises	26,378,140	59,674,605	432,215	2,717,856	-	89,202,816
Depreciation	-	-	-	-	35,038,325	35,038,325
Other	195,718	175,047	50	375	-	371,190
Total	275,096,755	123,775,625	18,591,271	14,498,883	35,038,325	467,000,859

12. STATE APPROPRIATIONS

The following is a summary of state appropriations received by W&M, VIMS and RBC including all supplemental appropriations and reversions from the General Fund of the Commonwealth.

Chapter 836 - 2017 Acts of Assembly (Educational and General Programs)		\$ 68,756,735
Student financial assistance		5,191,166
Supplemental appropriations:		
Prior Year Reappropriations	536,991	
VIVA libraries	21,254	
Marine Science Resources and Environmental Research	160,501	
Central Appropriations transfers	3,204,095	
Biomedical research	75,000	
VMSSDP	31,275	
Clinical Faculty Grant	47,470	
Commonwealth Technology Research Grants	35,500	
VITA rate adjustments	<u>1,300</u>	4,113,386
Reductions:		
Central appropriation distribution benefit changes		<u>(2,817)</u>
Appropriations as adjusted		<u><u>\$ 78,058,470</u></u>

13. COMPONENT UNIT FINANCIAL INFORMATION

The University has nine component units – The College of William & Mary Foundation, the Marshall-Wythe School of Law Foundation, the Alumni Association, the William & Mary Athletic Educational Foundation, the William & Mary School of Business Foundation, the Virginia Institute of Marine Science Foundation, the William & Mary Real Estate Foundation, the Richard Bland College Foundation and the Intellectual Property Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements. Summary financial statements and related disclosures follow for eight of the component units. As stated in Note 1, the activity of the Intellectual Property Foundation is blended with the University beginning in FY13; therefore, it is not included in the presentation of component unit financial information.

Summary of Statement of Net Position - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
ASSETS				
Current assets				
Cash and cash equivalents	\$ 14,364,276	\$ 3,675,425	\$ 1,858,691	\$ 601,392
Investments	26,286,326	-	2,788,337	-
Pledges receivable, net - current portion	3,690,436	980,532	3,512,564	68,847
Receivables, net	738,085	14,141	88,211	744,808
Inventories	-	-	-	3,964
Prepays	325,220	5,847	29,238	29,010
Due from the University	210,557	-	119,106	290
Other assets	-	-	-	-
Total current assets	<u>45,614,900</u>	<u>4,675,945</u>	<u>8,396,147</u>	<u>1,448,311</u>
Non-current assets				
Restricted cash and cash equivalents	2,179	6,269,407	2,139,395	-
Restricted investments	310,010,364	38,029,505	49,261,965	828,722
Restricted other assets	155,143,259	478,434	1,455,233	-
Investments	281,134,272	7,044,968	-	7,717,252
Pledges receivable, net	16,043,734	1,501,320	7,404,614	131,550
Capital assets, nondepreciable	9,459,221	325,127	-	-
Capital assets, net of accumulated depreciation	5,994,089	2,175	5,353	79,181
Due from the University	-	-	-	-
Other assets	2,348,766	-	-	-
Total non-current assets	<u>780,135,884</u>	<u>53,650,936</u>	<u>60,266,560</u>	<u>8,756,705</u>
Total assets	<u>825,750,784</u>	<u>58,326,881</u>	<u>68,662,707</u>	<u>10,205,016</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	318,008	92,995	39,564	124,195
Deferred revenue	32,957	127,390	4,738	67,387
Deposits held in custody for others	283,029	-	19,147	-
Long-term liabilities - current portion	722,238	-	-	-
Due to the University	136,722	-	-	1,390
Other liabilities	-	-	-	47,301
Total current liabilities	<u>1,492,954</u>	<u>220,385</u>	<u>63,449</u>	<u>240,273</u>
Non-current liabilities				
Other long-term liabilities	722,627	281,600	-	-
Long-term liabilities	28,209,410	-	-	-
Total liabilities	<u>30,424,991</u>	<u>501,985</u>	<u>63,449</u>	<u>240,273</u>
NET POSITION				
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	129,329,159	8,299,878	2,492,114	-
Research	9,771,632	-	1,037,500	-
Loans	-	-	24,230	-
Departmental uses	114,481,940	8,509,453	33,800,473	-
Other	205,437,409	-	127,449	-
Expendable:				
Scholarships and fellowships	104,806,336	9,741,420	2,673,798	-
Research	6,003,451	-	229,453	-
Capital projects	20,987,231	5,354,659	485,458	-
Loans	-	-	89,644	-
Departmental uses	132,597,621	14,388,055	23,843,455	985,522
Other	34,238,396	884,750	71,199	-
Net investment in capital assets	6,212,746	327,302	5,353	79,181
Unrestricted	31,459,872	10,319,379	3,719,132	8,900,040
Total net position	<u>\$ 795,325,793</u>	<u>\$ 57,824,896</u>	<u>\$ 68,599,258</u>	<u>\$ 9,964,743</u>

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
\$ 4,344,119	\$ 343,608	\$ 142,401	\$ 4,096,209	\$ 29,426,121
-	-	-	-	29,074,663
913,048	268,144	501,600	-	9,935,171
-	-	-	64,464	1,649,709
-	-	-	-	3,964
-	-	-	32,547	421,862
14,635	-	1,168,308	-	1,512,896
-	-	49,428	-	49,428
<u>5,271,802</u>	<u>611,752</u>	<u>1,861,737</u>	<u>4,193,220</u>	<u>72,073,814</u>
-	680,643	348,592	-	9,440,216
-	13,648,458	5,397,122	-	417,176,136
-	-	-	44,739	157,121,665
1,178,053	1,432,795	-	-	298,507,340
874,651	3,921,570	-	-	29,877,439
-	-	-	6,006,863	15,791,211
-	-	-	14,248,924	20,329,722
-	-	20,689,944	-	20,689,944
-	-	-	12,052	2,360,818
<u>2,052,704</u>	<u>19,683,466</u>	<u>26,435,658</u>	<u>20,312,578</u>	<u>971,294,491</u>
<u>7,324,506</u>	<u>20,295,218</u>	<u>28,297,395</u>	<u>24,505,798</u>	<u>1,043,368,305</u>
-	-	-	-	-
-	-	105,255	215,316	895,333
70,121	-	-	98,072	400,665
-	-	-	-	302,176
-	-	713,394	447,615	1,883,247
1,000	-	-	57,954	197,066
-	-	-	-	47,301
<u>71,121</u>	<u>-</u>	<u>818,649</u>	<u>818,957</u>	<u>3,725,788</u>
-	-	-	-	1,004,227
-	-	20,689,944	12,505,390	61,404,744
<u>71,121</u>	<u>-</u>	<u>21,508,593</u>	<u>13,324,347</u>	<u>66,134,759</u>
-	-	4,279,680	-	144,400,831
-	13,520,226	-	-	24,329,358
-	-	-	-	24,230
-	-	-	-	156,791,866
-	-	-	-	205,564,858
-	-	-	-	117,221,554
-	-	-	-	6,232,904
-	-	-	-	26,827,348
-	-	-	-	89,644
5,861,373	4,847,436	-	-	182,523,462
-	-	1,683,330	44,739	36,922,414
-	-	-	7,302,782	13,927,364
1,392,012	1,927,556	825,792	3,833,930	62,377,713
<u>\$ 7,253,385</u>	<u>\$ 20,295,218</u>	<u>\$ 6,788,802</u>	<u>\$ 11,181,451</u>	<u>\$ 977,233,546</u>

Summary of Statement of Revenues, Expenses, and Changes in Net Position - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
Operating revenues:				
Gifts and contributions	\$ 6,714,701	\$ 4,459,186	\$ 12,630,363	\$ 1,143,519
Other	3,236,718	564,496	1,397,047	852,263
Total operating revenues	9,951,419	5,023,682	14,027,410	1,995,782
Operating expenses:				
Instruction	5,429,113	2,626,776	169,854	-
Research	535,326	-	-	-
Public service	21,664	57,220	506,338	-
Academic support	2,066,891	755,146	251,465	-
Student services	132,976	21,578	432,123	-
Institutional support	9,770,571	605,468	1,735,105	271,989
Operation and maintenance of plant	2,839,041	1,160,529	11,406	-
Scholarships & fellowships	9,037,612	1,696,834	899,467	-
Auxiliary enterprises	869,411	-	14,866	-
Depreciation	511,563	2,342	2,475	8,994
Hospitals	-	-	-	-
Independent operations	-	-	-	-
Other	1,505,334	-	18,800	1,740,692
Total operating expenses	32,719,502	6,925,893	4,041,899	2,021,675
Operating gain/(loss)	(22,768,083)	(1,902,211)	9,985,511	(25,893)
Non-operating revenues and expenses:				
Net investment revenue (expense)	45,763,632	3,614,190	3,883,113	419,761
Interest on capital asset related debt	(277,270)	-	-	-
Other non-operating revenue	3,789,951	-	-	-
Other non-operating expense	-	-	(430,797)	-
Net non-operating revenues	49,276,313	3,614,190	3,452,316	419,761
Income before other revenues	26,508,230	1,711,979	13,437,827	393,868
Other revenues:				
Capital grants and contributions	9,162,948	-	46,347	-
Additions to permanent endowments	20,182,471	1,105,327	1,058,816	-
Net other revenues	29,345,419	1,105,327	1,105,163	-
Change in net position, before transfers	55,853,649	2,817,306	14,542,990	393,868
Contribution between Foundations	(829,918)	(2,349)	25,520	401,863
Transfers	(829,918)	(2,349)	25,520	401,863
Change in net position	55,023,731	2,814,957	14,568,510	795,731
Net position - beginning of year	740,302,062	55,009,939	54,030,748	9,169,012
Net position - end of year	\$ 795,325,793	\$ 57,824,896	\$ 68,599,258	\$ 9,964,743

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
\$ 5,076,852	\$ 1,100,510	\$ 819,657	\$ 734,000	\$ 32,678,788
424,522	-	1,307,321	2,043,379	9,825,746
5,501,374	1,100,510	2,126,978	2,777,379	42,504,534
-	130,149	-	-	8,355,892
-	374,767	-	-	910,093
-	38,863	-	-	624,085
-	84,431	-	-	3,157,933
-	-	-	-	586,677
716,132	601,685	184,587	754,344	14,639,881
-	-	15,092	-	4,026,068
-	184,658	247,800	-	12,066,371
6,380,239	-	-	430,611	7,695,127
-	-	-	413,076	938,450
-	-	-	-	-
-	-	-	506,740	506,740
-	199,922	1,046,351	-	4,511,099
7,096,371	1,614,475	1,493,830	2,104,771	58,018,416
(1,594,997)	(513,965)	633,148	672,608	(15,513,882)
79,561	1,220,185	783,388	7,913	55,771,743
-	-	-	-	(277,270)
-	-	-	-	3,789,951
-	-	-	-	(430,797)
79,561	1,220,185	783,388	7,913	58,853,627
(1,515,436)	706,220	1,416,536	680,521	43,339,745
-	-	-	-	9,209,295
-	483,775	208,352	-	23,038,741
-	483,775	208,352	-	32,248,036
(1,515,436)	1,189,995	1,624,888	680,521	75,587,781
(3,905)	-	-	408,789	-
(3,905)	-	-	408,789	-
(1,519,341)	1,189,995	1,624,888	1,089,310	75,587,781
8,772,726	19,105,223	5,163,914	10,092,141	901,645,765
\$ 7,253,385	\$ 20,295,218	\$ 6,788,802	\$ 11,181,451	\$ 977,233,546

Investments

Each component unit holds various investments based on the investment policies established by the governing board of the individual foundation. The following table shows the various investment types held by each component unit.

	The College of William & Mary Foundation	Marshall- Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Mutual and money market funds	\$ 4,986,754	\$ 49,076	\$ -	\$ 8,545,974	\$ 21,053	\$ -	\$ 5,397,122	\$ 18,999,979
U.S. treasury and agency securities	27,521,905	-	5,296,691	-	-	-	-	32,818,596
Common and preferred stocks	417,628	-	1,051,308	-	-	-	-	1,468,936
Notes receivable	1,350,000	-	-	-	-	-	-	1,350,000
Pooled investments	581,526,009	45,025,397	45,099,639	-	-	15,081,253	-	686,732,298
Real estate	987,982	-	-	-	-	-	-	987,982
Other	640,684	-	602,664	-	1,157,000	-	-	2,400,348
Total Investments	\$ 617,430,962	\$ 45,074,473	\$ 52,050,302	\$ 8,545,974	\$ 1,178,053	\$ 15,081,253	\$ 5,397,122	\$ 744,758,139

Pledges Receivable

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned net asset categories in accordance with donor imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at net present value of their estimated future cash flows. The discounts on these amounts are computed using risk free interest rates applicable to the years in which the payments will be received. The foundations record an allowance against pledges receivable for estimated uncollectible amounts. The William & Mary Real Estate Foundation did not have any pledges receivable at year end.

	The College of William & Mary Foundation	Marshall- Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association Foundation	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Total pledges receivable	\$ 23,023,902	\$ 2,730,395	\$ 11,723,412	\$ 200,397	\$ 2,312,504	\$ 4,719,089	\$ 501,600	\$ 45,211,299
Less:								
Allowance for uncollectibles	(702,460)	(173,395)	(31,600)	-	(379,912)	-	-	(1,287,367)
Discounting to present value	(2,587,272)	(75,148)	(774,634)	-	(144,893)	(529,375)	-	(4,111,322)
Net pledges receivable	19,734,170	2,481,852	10,917,178	200,397	1,787,699	4,189,714	501,600	39,812,610
Less:								
Current pledges receivable	(3,690,436)	(980,532)	(3,512,564)	(68,847)	(913,048)	(268,144)	(501,600)	(9,935,171)
Total non-current pledges receivable	<u>\$ 16,043,734</u>	<u>\$ 1,501,320</u>	<u>\$ 7,404,614</u>	<u>\$ 131,550</u>	<u>\$ 874,651</u>	<u>\$ 3,921,570</u>	<u>\$ -</u>	<u>\$ 29,877,439</u>

Capital Assets

	The College of William & Mary Foundation	Marshall- Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:							
Land	\$ 3,365,927	\$ 262,916	\$ -	\$ -	\$ -	\$ 5,414,153	\$ 9,042,996
Construction in progress	-	-	-	-	-	592,710	592,710
Historical treasures and inexhaustible works of art	6,093,294	62,211	-	-	-	-	6,155,505
Total nondepreciable capital assets	<u>\$ 9,459,221</u>	<u>\$ 325,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,006,863</u>	<u>\$ 15,791,211</u>
Depreciable:							
Building	\$ 7,420,855	\$ -	\$ -	\$ 384,914	\$ -	\$ 16,020,858	\$ 23,826,627
Equipment, vehicles and furniture	7,443,093	84,722	13,162	385,203	47,901	180,184	8,154,265
Improvements, other than building	338,138	-	-	-	-	-	338,138
	15,202,086	84,722	13,162	770,117	47,901	16,201,042	32,319,030
Less accumulated depreciation	(9,207,997)	(82,547)	(7,809)	(690,936)	(47,901)	(1,952,118)	(11,989,308)
Total depreciable capital assets	<u>\$ 5,994,089</u>	<u>\$ 2,175</u>	<u>\$ 5,353</u>	<u>\$ 79,181</u>	<u>\$ -</u>	<u>\$ 14,248,924</u>	<u>\$ 20,329,722</u>

Long-term Liabilities

	The College of William & Mary Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Compensated absences	\$ 232,974	\$ -	\$ -	\$ 232,974
Notes payable	929,404	-	9,005,004	9,934,408
Bonds payable	8,060,079	21,403,338	3,948,001	33,411,418
Trust & Annuity Obligations	2,499,439	-	-	2,499,439
Other liabilities	17,209,752	-	-	17,209,752
Total long-term liabilities	28,931,648	21,403,338	12,953,005	63,287,991
Less current portion	722,238	713,394	447,615	1,883,247
Total long-term liabilities	<u>\$ 28,209,410</u>	<u>\$ 20,689,944</u>	<u>\$ 12,505,390</u>	<u>\$ 61,404,744</u>

THE COLLEGE OF WILLIAM & MARY FOUNDATION

Long-term Liabilities

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing arrangement with SunTrust Bank in the amount of \$2,636,140 for renovation of the University's Admissions Office. The terms of the loan were revised during the fiscal year ended June 30, 2011. Under the revised terms, interest accrues at a rate of 4.99% and is payable monthly. Principal is payable annually over a ten-year term, with the final amount due on February 1, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. The balance outstanding at June 30, 2018 and 2017 was \$929,404 and \$1,210,234, respectively. Interest paid during the fiscal years ended June 30, 2018 and 2017, on the loans was \$55,390 and \$71,425, respectively.

The Foundation and its affiliates are in compliance with all debt covenants.

Bonds Payable

In December 2011, the Economic Development Authority of James City County, Virginia ("Authority") issued a revenue refunding bond in the amount of \$8,090,000 ("Series 2011 Bond"), and loaned the proceeds to the Foundation and College of William & Mary Foundation Ventures ("Obligors"). The Series 2011 Bond was acquired by SunTrust Bank, as Series 2011 Bondholder. Proceeds from sale of the Series 2011 Bond were used to redeem bonds issued in December 2006 by the Authority to finance the cost of property acquisition, construction and equipping of a three-story building in New Town in James City County, Virginia, for use by the Foundation, CWMF Ventures or the University. The Series 2011 Bond bears interest at a fixed rate of 2.96% per annum through December 31, 2017. As of January 1, 2018, the series 2011 Bonds bore interest at a fixed rate of 3.59752% per annum, subject to the put rights of the Series 2011 Bondholder. The Series 2011 Bondholder has the option to tender the Series 2011 Bond for payment on December 1, 2021, the first optional put date, unless extended under the terms of the loan agreement to not earlier than December 1, 2026. An additional extension may be made to not earlier than December 1, 2031. The final maturity date is December 1, 2036. The Obligors are required to maintain assets so that on each June 30, unrestricted and temporarily restricted net assets shall exceed 200% of the total funded debt of the Obligors.

The Foundation is in compliance with all bond covenants.

MARSHALL-WYTHE SCHOOL OF LAW FOUNDATION

Law Library Bond Issuance

The construction and renovations of the Wolf Law Library at the Marshall-Wythe School of Law were funded by proceeds allocated to the Marshall-Wythe School of Law from William & Mary's 2007A(9D) Bond Issue ("Bond"). The Foundation makes principal and interest payments to the University on the Bond using private contributions restricted for the Law Library addition. However, the Bond was issued to and in the name of the University, and the Foundation is not obligated to make these debt service payments.

Bond payments made to the University totaled \$1,160,529, including principal and interest, in 2018 and are included in law school bond payments on the Foundation's statement of activities.

RICHARD BLAND COLLEGE FOUNDATION, INC.

Bonds Payable

During December 2006, the Foundation entered into loan agreements with the Industrial Development Authorities (“Authorities”) of Dinwiddie County, Virginia, Isle of Wight, Virginia, Prince George County, Virginia and Sussex County, Virginia to borrow the proceeds of the Authorities' \$27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities). The loan was refinanced in October 2012 to lower the interest rate charged to the Foundation. The loan agreement interest rate was 4.23% and refinanced to 2.40%. The interest rate will adjust at the 10-year anniversary of the refinancing and every 5 years thereafter at 70% of the 5-year U. S. Treasury Note plus 120 basis points. The bonds are due November 5, 2038. The primary purpose of this loan is to refund and redeem in full the outstanding principal amount of the Authorities' \$27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities), the proceeds of which were used to finance the costs of construction and equipping of a student housing facility located in Dinwiddie, Virginia.

In 2017 the Foundation amended the bond notes with Towne Bank to adjust the payments from February and August to May and October to better align with revenue streams.

Investment in Direct Financing Lease

The Foundation has an investment in a direct financing lease in connection with its long-term leasing arrangement with the College. The terms of the lease include the leasing of a student housing facility located in Dinwiddie, Virginia originally constructed by the Foundation for the College. The lease is due in semi-annual installments and expires in August 2038.

WILLIAM & MARY REAL ESTATE FOUNDATION

Tribe Square

The Foundation leases the Tribe Square student housing to the University pursuant to a lease agreement dated August 1, 2011 for a five-year term ending June 30, 2016, with an automatic renewal for an additional five-year term ending on June 30, 2021. Annual base rent is \$459,816, payable in two equal installments on September 1 and March 1 of each lease year. The base rent may be increased annually by a percentage equal to the increase in the Consumer Price Index. In no event shall the base rent be less than the base rent payable for the preceding year. Rental income received under this lease was \$499,261 and \$491,399 for 2018 and 2017, respectively.

Discovery II

The property is being leased to the University for use as office space under an agreement with an initial lease term ending June 30, 2018 with the right to renew the lease for up to five additional consecutive one-year terms. The University exercised the lease option during 2018 to extend the lease period through June 30, 2019. Annual base rent is \$382,200, payable in 12 equal installments, with each monthly installment due on the first business day of the month. The base rent may be increased annually by two percent. Rental income received under this lease was \$413,706 and \$405,594 for 2018 and 2017, respectively.

Richmond Hall

The property is being leased to the University for use under an agreement with an initial lease term ending July 31, 2022 and the option to renew for five renewal terms of one year each. Annual base rent of \$1,176,861, payable in two equal semiannual installments on September 1 and March 1 of each year. The base rent may be increased annually by a percentage equal to the increase in the Consumer Price Index. In no event shall the base rent be less than the base rent payable for the preceding year. Rental income received under this lease was \$1,078,789 for 2018.

Construction Project

The Foundation had an outstanding construction project for the Jewish Community Center in the amount of \$1,686,000 of which \$435,909 was paid as of June 30, 2018 and \$156,801 was accrued in accounts payable at June 30, 2018. Substantial completion is expected no later than November 2018.

During 2018, the College of William & Mary Foundation reimbursed the Foundation \$408,789 for construction costs related to the Center, which is recorded in the financial statements as contributions from the College of William and Foundation.

Bonds Payable

The Foundation obtained a tax-exempt student housing facilities revenue bond, dated September 16, 2011, twenty-five (25) year term. The bond bears interest at a fixed rate of 3.75%. Required monthly payments of principal and interest total \$25,855. The outstanding principal balance is \$4,077,748 at June 30, 2018.

The bond was issued through the Economic Development Authority of the City of Williamsburg for a principal amount of \$5 million. The proceeds of this bond were used to finance the costs to acquire, construct, and equip the student apartment portion of Tribe Square, and pay certain expenses of issuing the bond. The bond is secured by the rents and revenues of Tribe Square, and the property itself.

The bond, which is bank held, has an option for the bank to require the Foundation to repurchase the bond once the bond is 10 years past the issuance date. If this option is exercised the Foundation would pay the aggregate unpaid principal plus accrued interest through the date of such payment. The bank must give the Foundation 120 days' notice prior to the tender date if this option is exercised.

Promissory Note

The Foundation obtained a promissory note, dated June 3, 2013, ten (10) year term. The note bears interest at a fixed rate of 3.22%. Required monthly payments of principal and interest total \$18,007. The outstanding principal balance is \$3,169,853 at June 30, 2018.

The promissory note was issued through a private lender for a principal amount of \$3,689,000. The proceeds of this note were used to finance the costs to acquire Discovery II, and pay certain expenses of issuing the note. The note is secured by the rents and revenues of Discovery II, and substantially all of the assets of WMREF Ventures, a subsidiary of the Foundation. A balloon payment in the amount of \$2,570,410 is due at note maturity on June 1, 2023.

The Foundation obtained a promissory note August 4, 2017, five (5) year term. The note bears interest at a fixed rate of 2.65%. Required monthly payments of principal and interest total \$27,373. The outstanding principal balance is \$5,857,363 at June 30, 2018.

The promissory note was issued through a private lender for a principal amount of \$6,000,000. The proceeds of this note were used to repay a line of credit issued May 2017 with a principal amount of \$4,000,000 and to finance the costs for the renovation and remodeling of Richmond Hall. The note requires certain covenants to be met. At June 30, 2018, the Foundation was in compliance with these covenants. A balloon installment payment for all unpaid principal and the interest is due at note maturity on August 4, 2022. Amounts outstanding are collateralized by the Foundation's deposits with the lender.

14. RETIREMENT PLANS

Optional Retirement Plan

Full-time faculty and certain administrative staff may participate in a retirement annuity program through various optional retirement plans other than the Virginia Retirement System. This is a fixed-contribution program where the retirement benefits received are based upon the employer's contributions of approximately 10.4 percent or 8.5 percent depending on whether the employee is in Plan 1 or Plan 2, plus interest and dividends. Plan 1 consists of employees who became a member prior to July 1, 2010. Plan 2 consists of employees who became a member on or after July 1, 2010.

Individual contracts issued under the plan provide for full and immediate vesting of contributions of William & Mary, including the Virginia Institute of Marine Science, and Richard Bland College and their employees. Total pension costs under this plan were \$10,031,271 for the year ended June 30, 2018. Contributions to the optional retirement plans were calculated using the base salary amount of \$103,577,138 for fiscal year 2018. William & Mary, which includes the Virginia Institute of Marine Science, and Richard Bland College's total payroll for fiscal year 2018 was \$212,350,061.

Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount of the match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$747,503 for fiscal year 2018.

General Information about the Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final	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	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a

<p>compensation at retirement using a formula.</p>	<p>retirement using a formula.</p>	<p>defined contribution plan.</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.
<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, and they have not taken a refund.</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</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</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</p>

<p>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>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>not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<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</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</p>

<p>insurance credit.</p>		<p>count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<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 Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</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>
<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>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>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</p>

<p>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p>VaLORS: The retirement multiplier for VaLORS employees is 2.00%.</p>	<p>retirement benefit for service credited in those plans.</p> <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<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>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

<p>VaLORS: 50 with at least five years of creditable service.</p>	<p>VaLORS: Same as Plan 1.</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>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 	<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>

<p>disability under the Virginia Sickness and Disability Program (VSDP).</p> <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>
<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,</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 exception:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution</u></p>

<p>eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>		<p>Component: Not applicable.</p>
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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 employer contribution rate for the year ended June 30, 2018 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 \$10,190,870 and \$9,383,353 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the University to the VaLORS Retirement Plan were \$217,273 and \$241,450 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the University reported a liability of \$112,835,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$2,192,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University’s proportion of the VRS State Employee Retirement Plan was 1.48% for William & Mary, 0.33% for VIMS, and 0.13% for RBC as compared to 1.49% for William & Mary, 0.33% for VIMS, and 0.11% for RBC at June 30, 2016. At June 30, 2017, the University’s proportion of the VaLORS Retirement Plan was 0.29% for William & Mary, and 0.05% for RBC as compared to 0.25% for William & Mary, and 0.03% for RBC at June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of \$11,247,000 for the VRS State Employee Retirement Plan and \$241,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 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, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VRS Retirement Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	239,000	3,415,000
Net difference between projected and actual earnings on pension plan investments	-	4,820,000
Change in assumptions	1,096,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,643,000	539,000
Employer contributions subsequent to the measurement date	10,190,870	-
Total	<u>\$ 15,168,870</u>	<u>\$ 8,774,000</u>

VaLORS Retirement Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	7,000	6,000
Net difference between projected and actual earnings on pension plan investments	-	60,000
Change in assumptions	-	143,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	297,000	48,000
Employer contributions subsequent to the measurement date	217,273	-
Total	<u>\$ 521,273</u>	<u>\$ 257,000</u>

The University had \$10,408,143 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date that will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

(\$ thousands)

	<u>VRS Retirement Plan</u>	<u>VaLORS Retirement Plan</u>
FY 2019	\$ (2,082)	\$ 6
FY 2020	\$ 1,410	\$ 81
FY 2021	\$ 115	\$ 1
FY 2022	\$ 3,239	\$ (41)
FY 2023	\$ -	\$ -

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2017, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 23,617,412	\$ 2,002,184
Plan Fiduciary Net Position	<u>17,789,888</u>	<u>1,345,887</u>
Employers’ Net Pension Liability (Asset)	<u>\$ 5,827,524</u>	<u>\$ 656,297</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 75.33%	 67.22%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the state agency for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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 state agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

(\$ thousands)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
The College of William and Mary's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 166,673	\$ 112,835	\$ 67,622

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 state agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

(\$ thousands)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
The College of William and Mary's proportionate share of the VaLORS Retirement Plan Net Pension Liability	\$ 3,058	\$ 2,192	\$ 1,476

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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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

The University reported \$386,968 in payables to VRS.

15. OTHER POSTEMPLOYMENT 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 the Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resource Management.

General Information about the Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The

employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were \$965,839 and \$913,644 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the University reported a liability of \$14,527,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net GLI OPEB Liability was based on the University's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University's proportion was 0.81% for William & Mary, 0.11% for VIMS, and 0.04% for RBC as compared to 0.80% for William & Mary, 0.12% for VIMS, and 0.03% for RBC at June 30, 2016.

For the year ended June 30, 2018, the University recognized GLI OPEB expense of \$199,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	322,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	546,000
Change in assumptions	-	748,000
Changes in proportion	235,000	30,000
Employer contributions subsequent to the measurement date	965,840	-
Total	<u>\$ 1,200,840</u>	<u>\$ 1,646,000</u>

The University had \$965,839 reported as deferred outflows of resources related to the GLI OPEB resulting from the University's contributions subsequent to the measurement date that will be recognized as a reduction of the Net GLI

OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

(\$thousands)

FY 2019	\$	(296)
FY 2020	\$	(295)
FY 2021	\$	(295)
FY 2022	\$	(296)
FY 2023	\$	(161)
Thereafter	\$	(68)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
VaLORS employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 Percent, net of pension plan investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

**Group Life
Insurance
OPEB Program**

Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	<u>1,437,586</u>
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
 Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	 48.86%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
 Total	 <u>100.00%</u>		 <u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between

actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

(\$thousands)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Employer's proportionate share of the Group Life Insurance Program	\$ 18,787	\$ 14,527	\$ 11,071
Net OPEB Liability			

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

The University reported \$82,042 in payables to the VRS Group Life Insurance OPEB Plan.

General Information about the State Employee Health Insurance Credit Program

Plan Description

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

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

**STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN
PROVISIONS**

Eligible Employees

The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

Benefit Amounts

The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2018 was 1.18% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were \$2,171,883 and \$2,053,889 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the University reported a liability of \$25,046,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University's proportion of the VRS State Employee Health Insurance Credit Program was 2.32% for William & Mary, 0.32% for VIMS, and 0.11% for RBC as compared to 2.29% for William & Mary, 0.33% for VIMS, and 0.09% for RBC at June 30, 2016.

For the year ended June 30, 2018, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$2,237,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	60,000
Change in assumptions	-	283,000
Changes in proportionate share	362,000	39,000
Employer contributions subsequent to the measurement date	2,171,883	-
Total	<u>\$ 2,533,883</u>	<u>\$ 382,000</u>

The University had \$2,171,883 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the University's contributions subsequent to the measurement date that will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30

(\$thousands)

FY 2019	\$	(8)
FY 2020	\$	(8)
FY 2021	\$	(8)
FY 2022	\$	(8)
FY 2023	\$	9
Thereafter	\$	3

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
VaLORS employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement

	from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	\$ 990,028
Plan Fiduciary Net Position	<u>79,516</u>
State Employee net HIC OPEB Liability (Asset)	<u>\$ 910,512</u>
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	8.03%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

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

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

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

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

(\$thousands)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency’s proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$27,694	\$25,046	\$22,769

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the State Employee Health Insurance Credit Program OPEB Plan

The University reported \$76,517 in payables to the Health Insurance Credit Program OPEB Plan.

General Information about the VRS Disability Insurance Program

Plan Description

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

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p>Eligible Employees The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and

ValORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).

- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
 - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
 - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%)

up to a maximum COLA of 3%).

- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
 - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement
 - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2018 was 0.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the entity were \$415,658 and \$423,312 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the University reported an asset of \$2,878,000 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2017 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of that date. The University's proportion of the Net VSDP OPEB Asset was based on the University's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the University's proportion was 1.14% for William & Mary, 0.22% for VIMS, and 0.04% for RBC as compared to 1.21% for William & Mary, 0.24% for VIMS, and 0.06% for RBC at June 30, 2016.

For the year ended June 30, 2018, the University recognized VSDP OPEB expense of \$262,000. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	226,000
Change in assumptions	-	215,000
Changes in proportion	162,000	4,000
Employer contributions subsequent to the measurement date	415,658	-
Total	<u>\$ 577,658</u>	<u>\$ 445,000</u>

The University had \$415,658 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date that will be recognized as an adjustment of the Net VSDP OPEB Asset in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year ended June 30

(Sthousands)

FY 2019	\$	(66)
FY 2020	\$	(65)
FY 2021	\$	(65)
FY 2022	\$	(65)
FY 2023	\$	(7)
Thereafter	\$	(15)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including	
Inflation – General state employees	3.5 percent – 5.35 percent
VaLORS employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 Percent, net of OPEB plan investment expenses, 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 OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net VSDP OPEB Asset

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOA amounts for the Disability Insurance Program (VSDP) is as follows (amounts expressed in thousands):

	<u>Disability Insurance Program</u>
Total VSDP OPEB Liability	\$ 237,013
Plan Fiduciary Net Position	<u>442,334</u>
Employers’ Net OPEB Liability (Asset)	<u>(\$ 205,321)</u>
 Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	 186.63%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

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

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

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

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

(\$thousands)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency's proportionate share of the total VSDP Net OPEB Liability (Asset)	\$ (2,739)	\$ (2,878)	\$ (3,118)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the Line of Duty Act Program

Plan Description

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

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p>Benefit Amounts The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • Death – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

- **Health Insurance** – The Line of Duty Act program provides health insurance benefits through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were \$14,184 and \$15,319 for the years ended June 30, 2018 and June 30, 2017, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2018, the University reported a liability of \$318,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the University's proportion was 0.08% for William & Mary, and 0.04% for RBC as compared to 0.09% for William & Mary, and 0.04% for RBC at June 30, 2016.

For the year ended June 30, 2018, the University recognized LODA OPEB expense of \$23,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Net difference between projected and actual earnings on LODA OPEB plan investments	-	-
Change in assumptions	-	33,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	14,184	-
Total	<u>\$ 14,184</u>	<u>\$ 33,000</u>

The University had \$14,184 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date that will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30

(\$thousands)

FY 2019	\$	(4)
FY 2020	\$	(4)
FY 2021	\$	(4)
FY 2022	\$	(4)
FY 2023	\$	(4)
Thereafter	\$	(13)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.50 percent
Salary increases, including Inflation –	
General state employees	3.50 percent – 5.35 percent
VaLORS employees	3.50 percent – 4.75 percent
Medical cost trend rates assumption –	
Under age 65	7.75 percent – 5.00 percent
Ages 65 and older	5.75 percent – 5.00 percent
Investment rate of return	3.56 Percent, net of OPEB plan
	Investment expenses, 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 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	<u>3,461</u>
Employers’ Net OPEB Liability (Asset)	<u>\$ 262,791</u>
 Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	 1.30%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the LODA OPEB Program’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total LODA OPEB liability.

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

The following presents the University's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

(\$thousands)	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	361	318	282

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

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

(\$thousands)	1.00% Decrease (6.75% decreasing to 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	270	318	378

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the Pre-Medicare Retiree Healthcare Plan

Plan Description

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS or a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

- be receiving (not deferring) the annuity or periodic benefit immediately upon retirement;
- have his or her last employer before retirement be the state;
- be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage); and,
- have submitted within 31 days of his or her retirement date an Enrollment Form to his or her Benefits Administrator to enroll.

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 University's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,600 retirees and 91,000 active employees in the program in fiscal year 2017. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2017. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.62 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2017 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.43 years
Discount Rate	3.58%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 8.62% to 5.00% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2025
Mortality	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2017.

Changes of Assumptions: The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates -updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates - lowered rates at older ages and changed final retirement from 70 to 75

- Withdrawal rates - adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index. Spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

At June 30, 2018, the University reported a liability of \$34,705,511 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$1.3 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017. The University's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 2.20 % for William & Mary, 0.34% for VIMS, and 0.13% for RBC as compared to 2.12% for William & Mary, 0.33% for VIMS, and 0.11% for RBC at June 30, 2016. For the year ended June 30, 2018, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of \$3,029,956.

At June 30, 2018, the University reported deferred outflows or resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	1,395,906.00
Change in assumptions	-	7,357,600
Changes in proportion	1,416,219.00	-
Amounts associated with transactions subsequent to the measurement date	920,353	-
Total	<u>\$ 2,336,572</u>	<u>\$ 8,753,506</u>

The University had \$920,353 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date that will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year End June 30:

2019	\$(1,351,251)
2020	\$(1,351,251)
2021	\$(1,351,251)
2022	\$(1,351,251)
2023	\$(1,351,251)
Total Thereafter	\$ (581,032)

Sensitivity of the University's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.58%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Rate (3.58%)	1% Increase (4.58%)
OPEB Liability	\$37,177,521	\$34,705,511	\$32,337,055

Sensitivity of the University's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.62% decreasing to 5%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.62% decreasing to 4.0%) or one percentage point higher (9.62% decreasing to 6.0%) than the current rate:

	1% Decrease (7.62% decreasing to 4.00%)	Trend Rate (8.62% decreasing to 5.00%)	1% Increase (9.62% decreasing to 6.00%)
OPEB Liability	\$30,879,101	\$34,705,511	\$39,191,216

16. CONTINGENCIES

Grants and Contracts

The University receives assistance from non-state grantor agencies in the form of grants and contracts. Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for eligible purposes. Substantially all grants and contracts are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability. As of June 30, 2018, the University estimates that no material liabilities will result from such audits.

Litigation

The University is not involved in any litigation at this time.

17. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, 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 of Virginia's Comprehensive Annual Financial Report.

18. ADVANCE FROM THE TREASURER OF VIRGINIA

Section 4-3.02 of the Appropriation Act describes the circumstances under which agencies and institutions may borrow funds from the state treasury, including prefunding for capital projects in anticipation of bond sale proceeds and operating funds in anticipation of federal revenues. As of June 30, 2018, there was \$3,674,524 in outstanding Advances from the Treasurer. These funds represent an advance to William & Mary from the Commonwealth of Virginia for working capital pending the receipt of funds from bond sale proceeds. These funds were used to renovate Landrum Hall Dormitory.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Zable Stadium	\$ 3,554,926	\$ -	\$ (3,554,926)	\$ -
Busch Field	691,666	-	(691,666)	-
Renovate Landrum	<u>-</u>	<u>3,674,524</u>	<u>-</u>	<u>3,674,524</u>
Total anticipation loans	<u>\$ 4,246,592</u>	<u>\$ 3,674,524</u>	<u>\$ (4,246,592)</u>	<u>\$ 3,674,524</u>

19. SUBSEQUENT EVENTS

In August of 2018, the Commonwealth of Virginia issued Series 2018A General Obligation Bonds in which William & Mary was a participating institution. The University received \$13,405,000 in proceeds to finance renovations of Landrum Hall Dormitory. The bonds were issued with interest rates varying from 3 to 5 percent and will mature in 20 years.

**Required Supplementary Information (RSI)
For the Fiscal Year Ended June 30, 2018**

Required Supplementary Information (RSI)
Cost-Sharing Employer Plans – VRS State Employee Retirement Plan
And VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2018

Schedule of Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Years Ended June 30, 2018, 2017, 2016 and 2015*

	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	1.94%	1.93%	1.87%	1.78%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$112,835,000	\$127,302,000	\$114,809,000	\$99,411,000
Employer's Covered Payroll	\$69,557,841	\$73,645,076	\$70,307,029	\$66,605,228
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	162.22%	172.86%	163.30%	149.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.33%	71.29%	72.81%	74.28%

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

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

Schedule of Employer's Share of Net Pension Liability
VaLORS Retirement Plan
For the Years Ended June 30, 2018, 2017, 2016 and 2015*

	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.34%	0.28%	0.28%	0.30%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$2,192,000	\$2,180,000	\$1,968,000	\$2,024,000
Employer's Covered Payroll	\$1,147,028	\$1,048,421	\$989,861	\$1,101,243
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	191.10%	207.93%	198.82%	183.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.22%	61.01%	62.64%	63.05%

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

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

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	10,190,870	10,190,870	-	75,543,886	13.49%
2017	9,383,353	9,383,353	-	69,557,841	13.49%
2016	10,163,204	10,163,204	-	73,645,076	13.80%
2015	8,668,857	8,668,857	-	70,307,029	12.33%

Schedule of Employer Contributions
VaLORS Retirement Plan
For the Years Ended June 30, 2015 through 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	217,273	217,273	-	1,032,174	21.05%
2017	241,450	241,450	-	1,147,028	21.05%
2016	196,427	196,427	-	1,048,421	18.74%
2015	174,908	174,908	-	989,861	17.67%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

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 is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions

The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

Required Supplementary Information (RSI)
Cost-Sharing Employer Plans – Group Life Insurance Program
For the Fiscal Year Ended June 30, 2018

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018 *

	2018
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.97%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 14,527,000
Employer's Covered Payroll	\$ 167,630,886
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.67%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

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

Schedule of Employer Contributions					
For the Years Ended June 30, 2017 through 2018					
Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	965,839	965,839	-	167,630,886	0.58%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

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

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

General State Employees

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

VaLORS Employees

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

Required Supplementary Information (RSI)
Cost-Sharing Employer Plans –
VRS State Employee Health Insurance Credit Program
For the Fiscal Year Ended June 30, 2018

Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018*

	2018
Employer's Proportion of the Net HIC OPEB Liability (Asset)	2.75%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 25,046,000
Employer's Covered Payroll	\$ 167,630,886
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	14.94%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.03%

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

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

**Schedule of Employer Contributions
For the Years Ended June 30, 2017 through 2018**

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
(1)	(2)	(3)	(4)	(5)	
2018	2,053,889	2,053,889	-	167,630,886	1.23%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

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

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

General State Employees:

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

VaLORS Employees:

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

Required Supplementary Information (RSI)
Cost-Sharing Employer Plans – Disability Insurance Program (VSDP)
For the Fiscal Year Ended June 30, 2018

Schedule of Employer's Share of Net OPEB Liability
Disability Insurance Program (VSDP)
For the Year Ended June 30, 2018*

	2018
Employer's Proportion of the Net VSDP OPEB Liability (Asset)	1.40%
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset)	\$ (2,878,000)
Employer's Covered Payroll	\$ 167,630,886
Employer's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	1.72%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	186.63%

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

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

**Schedule of Employer Contributions
For the Years Ended June 30, 2017 through 2018**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	423,312	423,312	-	167,630,886	0.25%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

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

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

General State Employees:

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

VaLORS Employees:

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

Required Supplementary Information (RSI)
Cost-Sharing Employer Plans – Line of Duty Act Program (LODA)
For the Fiscal Year Ended June 30, 2018

Schedule of Employer's Share of Net OPEB Liability
Disability Insurance Program (VSDP)
For the Year Ended June 30, 2018*

	2018
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.12%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 318,000
Employer's Covered Payroll	N/A **
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered Payroll	N/A **
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

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

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

** The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution.

**Schedule of Employer Contributions
For the Years Ended June 30, 2017 through 2018**

Date	Contractually Required Contribution (1)	Contributions in Relation to		Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
		Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	15,319	15,319	-	N/A *	N/A *

* The Line of Duty Act Program (LODA) includes full-time employees, part-time employees and volunteers. Contributions for the Program are based on the number of full-time equivalent employees in the Program using a per capita-based contribution versus a payroll-based contribution.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

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

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

General State Employees:

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

VaLORS Employees:

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

Required Supplementary Information

Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees

For the Fiscal Year Ended June 30, 2018

Schedule of Employer's Share of Total OPEB Liability	2018*
Employer's proportion of the collective total OPEB liability	2.67%
Employer's proportionate share of the collective total OPEB liability	\$34,705,511
Employer's covered-employee payroll	\$167,630,886
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	21.70%
<i>Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.</i>	
<i>* The amounts presented have a measurement date of the previous fiscal year end.</i>	

Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2018

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

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates – updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates – adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index and spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

**WILLIAM & MARY
RECEIPT OF THE FINANCIAL REPORT OF
THE INTERCOLLEGIATE ATHLETIC DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The summarized Financial Report of William & Mary's Intercollegiate Athletic Department for the fiscal year ended June 30, 2018, is presented by the Senior Vice President for Finance and Administration to the President, Rector, and the Board of Visitors of the university.

RESOLVED, That the Unaudited Financial Report of William & Mary's Intercollegiate Athletics Department for the Year Ended June 30, 2018 (*see separate booklet*), is hereby received by the Board of Visitors.



WILLIAM
& MARY

CHARTERED 1693

UNAUDITED
FINANCIAL REPORT OF INTERCOLLEGIATE ATHLETICS
FOR THE YEAR ENDED
JUNE 30, 2018

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
Williamsburg, VA

BOARD OF VISITORS

As of June 30, 2018

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William H. Payne II
Lisa E. Roday
J.E. Lincoln Saunders
Karen Kennedy Schultz
Brian P. Woolfolk

COLLEGE OFFICIALS

W. Taylor Reveley III, President

Samantha K. Huge, Director of Intercollegiate Athletics Programs

Chelsey P. Burk, Associate Athletic Director for Business Affairs

The College of William and Mary
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2018

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 639,544	\$ 266,121	\$ 12,107	\$ 42,955	\$ -	\$ 960,727
Student fees	175,665	-	-	-	14,375,737	14,551,402
Direct institutional support	2,076	10,279	27,288	174,224	83,999	297,866
Indirect institutional support	1,152	(6,613)	5,260	3,512	4,455	7,766
Indirect institutional support - athletic facilities debt service, lease and rental fees	53,403	37,413	35,735	57,378	1,052,268	1,236,197
Guarantees	325,000	241,188	-	48,150	-	614,338
Contributions (Note 2)	1,848,911	742,918	502,288	2,293,863	368,205	5,756,185
In-Kind	22,305	19,414	8,048	838	8,837	59,442
Media rights	-	-	-	-	1,500	1,500
NCAA distributions	158,022	73,983	47,813	589,707	394,938	1,264,463
Conference distributions (non-media or bowl)	-	-	-	-	1,500	1,500
Program, novelty, parking, and concession sales	70,380	8,488	1,140	882	2,574	83,464
Royalties, licensing, advertisement and sponsorships	360,322	96,831	54,897	228,921	318,031	1,059,002
Athletics restricted endowment and investments income (Note 3)	1,588,553	264,595	135,425	1,033,011	116,112	3,137,696
Other operating revenue	144,090	300	-	220,550	26,530	391,470
Total operating revenues	5,389,423	1,754,917	830,001	4,693,991	16,754,686	29,423,018
Operating expenses:						
Athletic student aid	2,880,719	578,495	711,794	5,177,976	16,824	9,365,808
Guarantees	-	8,000	-	8,634	-	16,634
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,339,292	772,671	480,107	2,691,862	9,900	5,293,832
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	111,799	57,599	44,766	18,150	4,533,315	4,765,629
Recruiting	155,780	113,204	56,778	193,131	1,772	520,665
Team travel	340,243	200,174	141,458	1,006,114	112,639	1,800,628
Sports equipment, uniforms, and supplies	277,132	51,977	48,357	590,965	156,334	1,124,765
Game expenses	307,310	190,654	93,138	569,688	-	1,160,790
Fundraising, marketing and promotion	-	-	-	-	576,518	576,518
Spirit groups	-	-	-	10	56,438	56,448
Athletic facility leases and rental fees	-	37,413	35,735	57,378	70,359	200,885
Athletic facility debt service	484,664	-	-	328,314	428,501	1,241,479
Direct overhead and administrative expenses	759,298	-	-	412,089	280,435	1,451,822
Indirect cost paid to the institution by athletics	68,064	-	-	14,898	336,252	419,214
Indirect institutional support	1,152	(6,613)	5,260	3,512	4,455	7,766
Medical expenses and insurance	-	-	572	195	242,046	242,813
Memberships and dues	-	1,365	1,443	8,795	101,097	112,700
Student-Athlete Meals (non-travel)	84,626	24,492	29,706	74,186	-	213,010
Other operating expenses	94,895	50,008	22,576	108,185	458,906	734,570
Total operating expenses	6,904,974	2,079,439	1,671,690	11,264,082	7,385,791	29,305,976
Excess (deficiency) of revenues over (under) expenses	\$ (1,515,551)	\$ (324,522)	\$ (841,689)	\$ (6,570,091)	\$ 9,368,895	\$ 117,042

Other Reporting Items:

Total athletics-related debt	\$ 10,350,500
Total institutional debt	\$ 226,712,407
Value of athletics-dedicated endowments	\$ 92,276,498
Value of institutional endowments	\$ 935,543,672
Total athletics-related capital expenditures	\$ 1,633,970

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

WILLIAM & MARY
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the Intercollegiate Athletics Programs of the university for the year ended June 30, 2018 and includes both those intercollegiate athletics revenues and expenses under the direct accounting control of the university and those on behalf of the University's Intercollegiate Athletics Programs by outside organizations not under the university's control. Because the Schedule presents only a selected portion of the university's activities, it is not intended to, and does not present the financial position, changes in financial position, or cash flows for the year ended June 30, 2018. Revenues and expenses directly identifiable with each category of sport are presented and reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. CONTRIBUTIONS

The Athletic Educational Foundation (AEF) of the College of William and Mary in Virginia, Incorporated, also referred to as the Tribe Club, raises funds and collects contributions for the benefit of the Intercollegiate Athletics Department. The university received \$5,756,184 from the AEF during the year ended June 30, 2018.

The university received \$591,375 through the College of William and Mary Foundation for capital improvements to Zable Stadium which serves the Football and Men's and Women's Track programs, and for construction of the Plumeri Indoor Batting Cage and Busch Field Team Facility. Capital contributions are not reported in the Intercollegiate Athletics Schedule of Revenues and Expenses.

3. ENDOWMENT AND INVESTMENT INCOME

The College of William and Mary Foundation is authorized to receive and administer gifts and bequests of all kinds. The Foundation makes such resources available to the university, which may be drawn as needed by the university within the Foundation's budgetary restrictions. The university received \$2,890,197 of endowment and investment income from the Foundation for the benefit of the Intercollegiate Athletics Department for the year ended June 30, 2018.

4. CAPITAL ASSETS

Capital assets are recorded at historical cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The university's capitalization policy on equipment includes all items with an estimated useful life of two years or more. The William & Mary campus capitalizes all items with a unit price greater than or equal to \$5,000. Capital assets at the time of disposal revert to the Commonwealth of Virginia for disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40-50 years
Improvements other than Buildings	10-50 years
Infrastructure	10-50 years
Equipment	2-30 years
Library Books	10 years

A summary of the capital asset ending balances net of accumulated depreciation for the year ending June 30, 2018 is as follows:

Depreciable capital assets:	
Buildings	\$ 59,638,778
Improvements other than Buildings	2,002,046
Infrastructure	2,628,105
Equipment	<u>3,690,615</u>
Total depreciable capital assets	<u>67,959,544</u>
Less Accumulated depreciation for:	
Buildings	\$15,131,506
Improvements other than Buildings	890,525
Infrastructure	2,628,105
Equipment	<u>2,572,289</u>
Total accumulated depreciation	<u>21,222,425</u>
Total capital assets, net	<u>\$ 46,737,119</u>

5. LONG-TERM DEBT

Long-term debt relating to intercollegiate athletics is shown below.

<u>Description</u>	Interest Rates (%)	Fiscal Year Maturity	Balance as of June 30, 2018	% used by Athletics	Athletics Balance June 30, 2018
Section 9(d) Bonds:					
Recreation Sports Center, Series 2010B	5.000	2021	165,000	15%	24,750
Recreation Sports Center, Series 2012A	5.000	2024	180,000	15%	27,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	3,440,000	15%	516,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	1,095,000	15%	164,250
Recreation Sports Center, Series 2014B	4.000	2026	190,000	15%	28,500
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,480,000	100%	1,480,000
Improve Athletics Facilities, Series 2014B	4.000	2026	260,000	100%	260,000
Improve Athletics Facilities, Series 2014B	5.000	2024	245,000	100%	245,000
Improve Athletics Facilities, Series 2016A	3.000	2027	150,000	100%	150,000
Improve Athletics Facilities II, Series 2013A&B	2.000 - 5.000	2034	1,380,000	100%	1,380,000
Improve Athletics Facilities II, Series 2017A	2.125 - 5.000	2038	2,145,000	100%	2,145,000
J. Laycock Football Facility, Series 2014B	5.000	2024	1,840,000	100%	1,840,000
J. Laycock Football Facility, Series 2016A	3.000	2027	1,100,000	100%	1,100,000
Busch Field Astro turf Replacement, Series 2009B	5.000	2020	130,000	100%	130,000
Busch Field Astro turf Replacement, Series 2016A	3.000 - 5.000	2030	860,000	100%	<u>860,000</u>
Total					<u>\$ 10,350,500</u>

Long-term debt matures as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	780,750	417,751
2020	816,000	379,458
2021	857,000	339,308
2022	890,000	296,333
2023-2027	4,616,750	842,893.21
2028-2032	1,345,000	296,565.65
2033-2037	895,000	83,825.00
2038	<u>150,000</u>	<u>2,250.00</u>
Total	<u>\$ 10,350,500</u>	<u>\$ 2,658,383</u>

6. INDIRECT COSTS

The university charges the Athletic Department an administrative fee. During the fiscal year, the Department paid \$419,214 to the university. This amount is included on the Indirect Cost Paid to the Institution by Athletics line item.

**WILLIAM & MARY
APPROVAL OF INTERIM USE OF FUNDS AND
ESTABLISHMENT OF RUSSELL AND JEANNE BAKER QUASI-ENDOWMENT**

WHEREAS, after a long and full life, Jeanne Baker passed away in February 2018 at the age of 102, leaving William & Mary as a 1/3 beneficiary of a trust established by her husband, Russell; and

WHEREAS, the trust, valued at \$3,155,432 as the university share, has no restriction as to use; and

WHEREAS, the administration recommends that \$155,432 be set aside as an expendable fund in support of campus beautification efforts, recognizing the Baker's interest in the campus grounds; and

WHEREAS, the administration recommends that, as an interim use, \$3.0 million be used to support detailed planning for the Integrated Science Center 4 project, with the funds to be reimbursed by the Commonwealth of Virginia once working drawings are complete and the project moves to construction; and

WHEREAS, the administration recommends that, once reimbursement from the Commonwealth occurs, \$2.5 million be used to establish a quasi-endowment with the proceeds to be used for the most pressing needs of the university as determined by the President, and that \$500,000 be added to the university's Green to Gold Fund (GGF), a green revolving fund established in 2016 to reduce William & Mary's impact on the environment and to improve efficiency in ways that create measurable returns on investment,

THEREFORE, BE IT RESOLVED, That the Board of Visitors of The College of William & Mary in Virginia, expresses its deep gratitude to the Baker Family for this most generous gift and approves the creation of an expendable fund in support of campus beautification and an interim use of funds to support the planning of Integrated Science 4 as previously described; and

BE IT FURTHER RESOLVED, That once the ISC 4 planning funds are reimbursed by the Commonwealth, \$2.5 million be used to establish a quasi-endowment with the proceeds to be used for the most pressing needs of the university as determined by the President, and that \$500,000 be added to the university's Green to Gold Fund (GGF), a green revolving fund established in 2016 to reduce William & Mary's impact on the environment and to improve efficiency in ways that create measurable returns on investment.