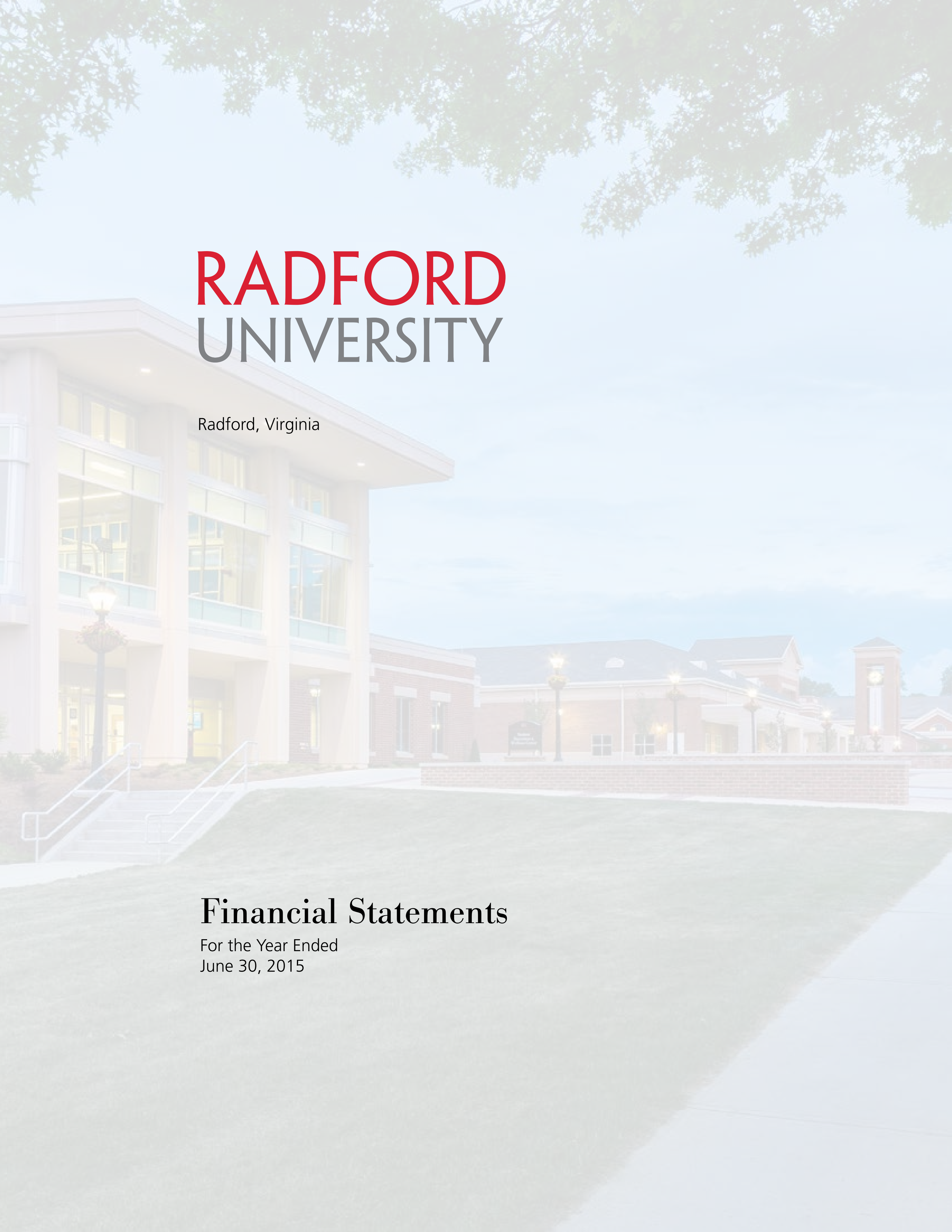


RADFORD UNIVERSITY

Radford, Virginia

Financial Statements

For the Year Ended
June 30, 2015

Table of Contents

Management's Discussion and Analysis

(Unaudited)

Introduction

The following unaudited Management's Discussion and Analysis (MD&A) provides an overview of the financial position and results of activities of Radford University ("University") in an objective, easily readable format. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2015. Since this analysis includes highly summarized data, it should be read in conjunction with the accompanying financial statements, footnotes, and other required supplementary information. The University's management is responsible for all financial information presented, including this discussion and analysis.

The University's financial report includes the three required financial statements, *Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position;* and *Statement of Cash Flows,* and accompanying note disclosures and required supplementary information. These statements are summarized and analyzed in the following paragraphs. The Radford University Foundation, Inc. is included in the accompanying financial statements in a separate column as a component unit. However, the following discussion and analysis does not include Radford University Foundation's financial condition and activities.

University Overview

Founded in 1910 as an all-women's college, Radford University became coeducational in 1972 and was granted university status by the Virginia General Assembly in 1979. Today, the University is a flourishing coeducational, comprehensive public university that is student centered and focused on providing outstanding academic programs to its 9,743 students (fall 2015 headcount). Radford University's in-state undergraduate enrollment has increased a total of 871 students since fall 2010. This trend aligns with the Commonwealth's goal of 100,000 more undergraduate degrees by 2025 as outlined in the "Virginia Higher Education Opportunity Act of 2011 – Top Jobs for the 21st Century" (TJ21), the Statewide Strategic Plan (SSP), and the University's six-year plan.

The University offers excellent educational opportunities to students from all geographic regions of the Commonwealth of which 93.3 percent are Virginia residents and 35.5 percent of undergraduates are the first in their family to attend college. Because of its midsize, the University provides its students a winning combination of broad opportunities associated with a large university and highly personalized relationships considered the hallmark of a small institution.

Well known for its strong faculty/student collaboration, innovative use of technology in the learning environment, and vibrant student life on a beautiful residential campus, the University offers many opportunities for success in and out of the classroom. In addition to courses offered at its main campus, Radford University also extends its course offerings to students at the Roanoke Higher Education Center, Southwest Virginia Higher Education Center, New College Institute, and Carilion Roanoke Community Hospital. Through its six academic colleges, the University offers 67 degree programs in 38 disciplines as well as two certificates at the undergraduate level; 22 master's programs in 17 disciplines and three doctoral programs at the graduate level; 10 post-baccalaureate certificates and one post-master's certificate. A Division I member of the NCAA and Big South Athletic Conference, the University participates in 15 varsity sports – nine for women and six for men.

The University employs many "High Impact Practices" that include such offerings as undergraduate research, Scholar-Citizen Quality Enhancement Plan experiences, leadership courses and programs, the Honors Academy, and internship placements to name a few. Radford University also entered into a Guaranteed Admissions Agreement for Nursing with the Virginia Community College System (VCCS). The agreement will provide an efficient pathway for VCCS's Applied Science in Nursing (AAS) graduates to achieve a Bachelor's of Science in Nursing (BSN) degree from Radford University. The campus community supports a culturally diverse student population and offers more than 250 clubs and organizations for student participation, growth, leadership development, and community service. Students also have the opportunity to participate in faculty-led study abroad programs in 15 different countries.

Individual colleges and programs have reached significant milestones and received accolades for their accomplishments. The University's College of Business and Economics was recognized by The Princeton Review as one of "The Best 296 Business Schools: 2015 Edition" for the college's MBA program. Also, the baccalaureate and masters programs in the School of Social Work were re-accredited by the Council of Social Work Education (CSWE) in 2015 resulting in the University having one of four accredited masters programs and one of 13 accredited baccalaureate programs in social work in Virginia. The University established a new Bioethics Certification program, the first of its kind in Virginia, and partnered with the Jefferson College of Health Sciences and Virginia Tech Carilion School of Medicine to develop the Virginia Intercollegiate Anatomy Laboratory (VIAL). Additionally, the University's men's baseball team had a record-setting season resulting in the program's first berth to the NCAA national tournament bringing national attention to the team and University.

The aforementioned examples are but a few of the many accomplishments that all of the colleges and programs have attained during the course of their instructional mission. Radford University has also received national recognition in numerous areas including:

- In August 2015, Radford University was recognized by The Princeton Review as one of the 140 institutions in the "Best in the Southeast" section of in the "2016 Best

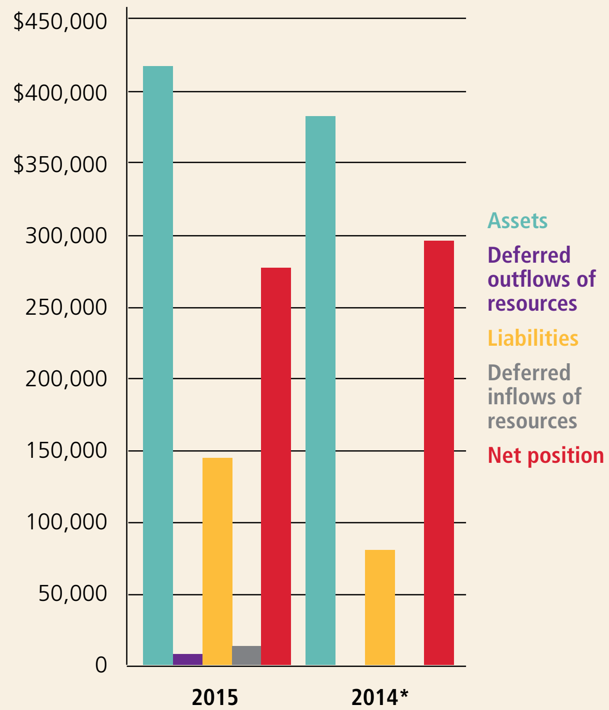
Statement of Net Position—Summary Schedule
($ shown in thousands)

The University's Statement of Net Position at June 30, 2015 and 2014 is summarized as follows:

	2015	2014*	Change Amount	Change Percent
Assets:				
Current assets	$118,502	$123,087	$(4,585)	(3.7)
Capital assets, net	306,289	253,739	52,550	20.7
Other noncurrent assets	3,844	3,188	656	20.6
Total assets	$428,635	$380,014	$48,621	12.8
Deferred outflows of resources	$6,783	$ -	$6,783	100.0
Liabilities:				
Current liabilities	$37,462	$37,137	$325	0.9
Noncurrent liabilities	111,273	45,087	66,186	146.8
Total liabilities	$148,735	$82,224	$66,511	80.9
Deferred inflows of resources	$10,225	$ -	$10,225	100.0
Net Position:				
Net investment in capital assets	$265,004	$226,106	$38,898	17.2
Restricted—expendable	3,541	12,417	(8,876)	(71.5)
Unrestricted	7,913	59,267	(51,354)	(86.6)
Total net position	$276,458	$297,790	$(21,332)	(7.2)

Statement of Net Position—Comparative Chart
($ shown in thousands)

The chart below is a snapshot of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the fiscal years ended June 30, 2015 and 2014:



*Fiscal year 2014 amounts have not been restated. See Note 2 to the *Notes to Financial Statements* for restatement of net position.

Colleges: Region by Region" list. This is the eighth year since 2008 that the University has been featured as one of the "Best in the Southeast."

- The University was ranked 37th in the "South" region in the U.S. News & World Report's "2016 Best Regional Universities" report, which includes both public and private universities. Within this list, the University is ranked 15th among public universities. This is the fourth consecutive year that the University has received this recognition.
- The University was ranked 31st in the "2016 Best Colleges for Veterans-South" by the U.S. News & World Report.
- Confirming that the University provides one of the best values in the nation, the University was recognized by Washington Monthly magazine as one of the "Best Bang for the Buck" institutions for the third consecutive year. The University was ranked number one among Virginia universities in this report.

The University is dedicated to building and maintaining a sustainable, environmentally friendly campus. For the sixth consecutive year, the University was named one of the most environmentally responsible colleges in the United States according to "The Princeton Review's Guide to 353 Green Colleges: 2015 Edition." The University's rating was a result of significant strides in sustainability initiatives, including LEED (Leadership in Energy and Environmental Design) Gold certifications for campus buildings, development of a Climate Action Plan with a target climate neutrality date of 2040, and partnering with the City of Radford to provide the Radford Transit system.

Radford Transit, developed as a partnership with the City of Radford and operated by New River Valley Community Services, continues to experience considerable levels of growth. By the end of fiscal year 2015, Radford Transit had transported 374,000 passengers, reflecting a 6.1 percent increase in ridership from the previous year. Since inception, Radford Transit has transported a staggering 1.25 million passengers. Radford Transit will continue to serve the needs of students, employees, and community residents by giving full campus access and transportation to areas adjacent to the University, including the City of Radford, Fairlawn, Christiansburg, Blacksburg, and connections with the Smartway Bus and Megabus. These connections provide students and members of the community with multi-state bus routes and transportation to the Roanoke-Blacksburg Regional Airport. The success of the Radford Transit reinforces the University's commitment to its students, employees, community residents, and sustainable initiatives.

Statement of Net Position

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the readers of the financial statements. The data presented in the *Statement of Net Position* aids readers in determining the assets available to continue the operations of the University as well as determine how much the University owes to vendors and creditors. Furthermore, the *Statement of Net Position* provides a picture of the net position, or available resources of the University, which serves as one indicator of the current financial condition of the University.

Net position is classified into four major components: net investment in capital assets, restricted expendable, restricted nonexpendable, and unrestricted.

- **Net investment in capital assets**—Net investment in capital assets represents the University's total capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Debt incurred, but not yet expended for capital assets, net of accounts and retainage payable to be paid with unspent debt proceeds, is not included as a component of net investment in capital assets.
- **Restricted–expendable**—The expendable restricted component of net position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- **Restricted–nonexpendable**—Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained in perpetuity and invested for the purpose of producing present or future income to be expended or added to the principal. As of June 30, 2015, the University does not have nonexpendable restricted net position.
- **Unrestricted**—The unrestricted component of net position represents resources used for transactions relating to academic departments and general operations of the University, and may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, research, and outreach. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are intercollegiate athletics and student residential and dining programs.

Change in net position is an assessment of whether the overall financial condition has improved or worsened during the year while sustained increases or decreases in net position over time are one indicator of the financial stability or instability of an organization.

GASB Statement 68, *Accounting and Financial Reporting for Pensions,* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* were effective for and implemented in fiscal year 2015. These reporting changes require the University to record its portion of pension liabilities and expenses of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan. Prior to the implementation of Statements 68 and 71, VRS did not measure assets and pension benefit obligations separately for individual state institutions. Therefore, for the purpose of MD&A, fiscal year 2014 comparative numbers have not been restated. As a result of this change in reporting, the University has recorded its proportionate share of the net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources in the financial statements presented within. Note 1 of the *Notes to Financial Statements* includes information of the University's implementation of Statements 68 and 71. Note 14 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes an overview of the pension plans available to University employees along with details on the pension obligation and related expense recognized and pension contributions made by the University.

Total University assets increased by $48.6 million or 12.8 percent during fiscal year 2015, resulting in total assets of $428.6 million at year end. The increase in total assets is attributable to a $53.2 million increase in noncurrent assets offset by a $4.6 million decline in current assets. Capital assets, net of accumulated depreciation, accounts for $52.6 million of the increase in noncurrent assets and reflects the ongoing expansion and renovation of facilities at the University as discussed in detail in the following section, *Capital Asset and Debt Administration* and in Note 5 of the *Notes to Financial Statements*. The largest decline in current assets was in cash and cash equivalents of $11.8 million primarily due to the expenditure of restricted cash and cash equivalents for ongoing capital asset construction net of debt proceeds received for the renovation of three residence halls. This decline was offset by a $5.2 million increase in the receivable due from the Commonwealth, which is related to the timing of several significant requisitions for capital projects near fiscal year end.

Total liabilities increased by $66.5 million or 80.9 percent during fiscal year 2015. Current liabilities increased minimally from the previous year while noncurrent liabilities accounted for $66.2 million of the change in total liabilities. The increase in noncurrent liabilities is primarily related to the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions,* which resulted in the recognition of a noncurrent pension obligation for $58.0 million at June 30, 2015. Furthermore, long-term debt of the University increased as a result of a 9(c) general obligation bond issuance (Series 2015A) for the renovation of three residence halls. Further information regarding the debt issuance can be found in Note 7 of the *Notes to Financial Statements*.

As a result of the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions,* and Statement 71, *Pension Transition for Contributions Made*

Statement of Revenues, Expenses, and Changes in Net Position—Summary Schedule
($ shown in thousands)

	2015	2014*	Change Amount	Change Percent
Operating revenues	$123,591	$120,700	$2,891	2.4
Less: Operating expenses	187,169	178,663	8,506	4.8
Operating loss	(63,578)	(57,963)	(5,615)	9.7
Nonoperating revenues (expenses)	65,881	62,216	3,665	5.9
Income before other revenues, expenses, gains, or losses	2,303	4,253	(1,950)	(45.8)
Other revenues, expenses, gains, or losses	38,052	19,064	18,988	99.6
Increase in net position	40,355	23,317	17,038	73.1
Net position—beginning of year	236,103	274,473	(38,370)	(14.0)
Net position—end of year	$276,458	$297,790	$(21,332)	(7.2)

*Fiscal year 2014 amounts have not been restated. See Note 2 to the *Notes to Financial Statements* for restatement of net position.

Subsequent to the Measurement Date, the University recognized $6.8 million of deferred outflows of resources and $10.2 million of deferred inflows of resources on the *Statement of Net Position*. The deferred outflows of resources represents, in part, the fiscal year 2015 contributions made by the University after the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources represents the net difference between projected and actual earnings on pension plan investments. Note 14 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes additional information regarding the University's deferred outflows of resources, deferred inflows of resources, and pension obligations.

The increase in total assets and deferred outflows of resources was less than the corresponding increase in total liabilities and deferred inflows of resources, thus the University's net position declined by $21.3 million or 7.2 percent. Net investment in capital assets increased $38.9 million which is a reflection of the University's continued investment in facilities and equipment to support the University's mission.

Capital Asset and Debt Administration

The development and renewal of the University's capital assets is critical to ensure the necessary infrastructure required for achieving the University's ongoing mission. Accordingly, the University has continued to implement its long-range plans to modernize older facilities and to pursue new construction as needed. These investments in renovation and new construction support and enhance the University's high-quality instructional programs, residential lifestyles, and student quality of life.

Note 5 of the *Notes to Financial Statements* describes the University's ongoing investment in capital assets. The value of the University's net capital assets increased to $306.3 million at the end of fiscal year 2015, an increase of $52.6 million or 20.7 percent over fiscal year 2014. Net additions and reductions to capital assets during fiscal year 2015 totaled $63.9 million (excluding depreciation). The continued construction of the Center for the Sciences, a new academic building for the College of Humanities and Behavioral Sciences, and residence hall renovations as well as the completion of the Student Fitness Center account for the majority of the current year capital activity. Current year depreciation expense totaled $15.4 million.

Capital projects in progress carried commitments to construction contractors, architects, and engineers totaling $7.0 million at June 30, 2015. These obligations represent the unperformed portion of construction contracts and, as such, have not been accrued as expenses or liabilities on the University's financial statements. Additional information regarding the University's commitments is included in Note 13 of the *Notes to Financial Statements*.

Financial stewardship requires the effective management of resources, including the use of long-term debt to finance capital projects. In fiscal year 2015, one bond was issued in the amount of $10.0 million for the renovation of three residence halls. Note 7 of the *Notes to Financial Statements* contains additional information about the long-term debt of the University.

Revenues by Source Comparison
($ shown in thousands)

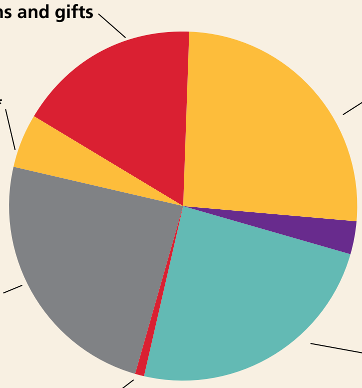
The following chart compares each major revenue source (both operating and nonoperating) for the previous two fiscal years:

	2015	2014	Change Amount	Change Percent
Revenues by source:				
Student tuition and fees	$59,759	$57,657	$2,102	3.6
Federal, state, and nongovernmental grants and contracts	6,180	5,494	686	12.5
Auxiliary enterprises	55,727	56,237	(510)	(0.9)
Other operating	1,925	1,312	613	46.7
State appropriations	54,903	53,420	1,483	2.8
Other nonoperating*	10,978	8,796	2,182	24.8
Capital appropriations and gifts	38,052	19,064	18,988	99.6
Total revenues by source	$227,524	$201,980	$25,544	12.6

** Includes federal student financial aid (Pell), investment income, interest on capital asset-related debt, loss on capital assets, and nonoperating transfers to the Commonwealth.*

Revenues by Source
($ shown in thousands)

The following chart illustrates the percentage of the University's total revenue comprised by each major revenue source (both operating and nonoperating) for the year ended June 30, 2015:



Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the University's operating and nonoperating activities, which changes the University's total net position. The purpose of the statement is to present the University's operating revenues earned, operating expenses incurred, and all other revenues, expenses, gains, and losses.

Generally, operating revenues are received from providing goods and services to students and various customers and constituencies of the University. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Compensation and fringe benefits for faculty and staff are the largest category of operating expense.

Nonoperating revenues are revenues received for which goods and services are not directly provided. For example, state appropriations are nonoperating revenues because they are provided by the legislature without the legislature directly receiving commensurate goods and services for those revenues. State appropriations provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, does not cover all operating expenses with operating revenues, and expects to report an operating loss.

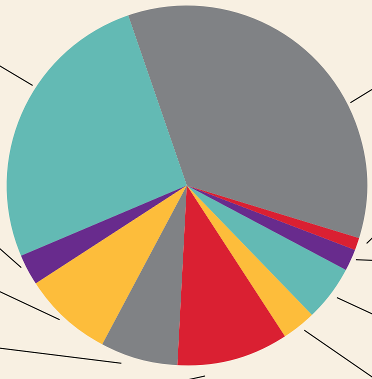
Expenses by Function Comparison
($ shown in thousands)

The following chart compares expenses by function for the fiscal years ended June 30, 2015 and 2014:

	2015	2014	Change Amount	Change Percent
Operating expenses:				
Instruction	$65,067	$63,145	$1,922	3.0
Research	460	292	168	57.5
Public service	3,771	3,214	557	17.3
Academic support	10,233	9,624	609	6.3
Student services	6,377	6,156	221	3.6
Institutional support	18,802	16,696	2,106	12.6
Operation and maintenance of plant	12,501	12,873	(372)	(2.9)
Depreciation	15,382	13,998	1,384	9.9
Student aid	6,095	5,907	188	3.2
Auxiliary activities	48,481	46,758	1,723	3.7
Total operating expenses	$187,169	$178,663	$8,506	4.8

Expenses by Function
($ shown in thousands)

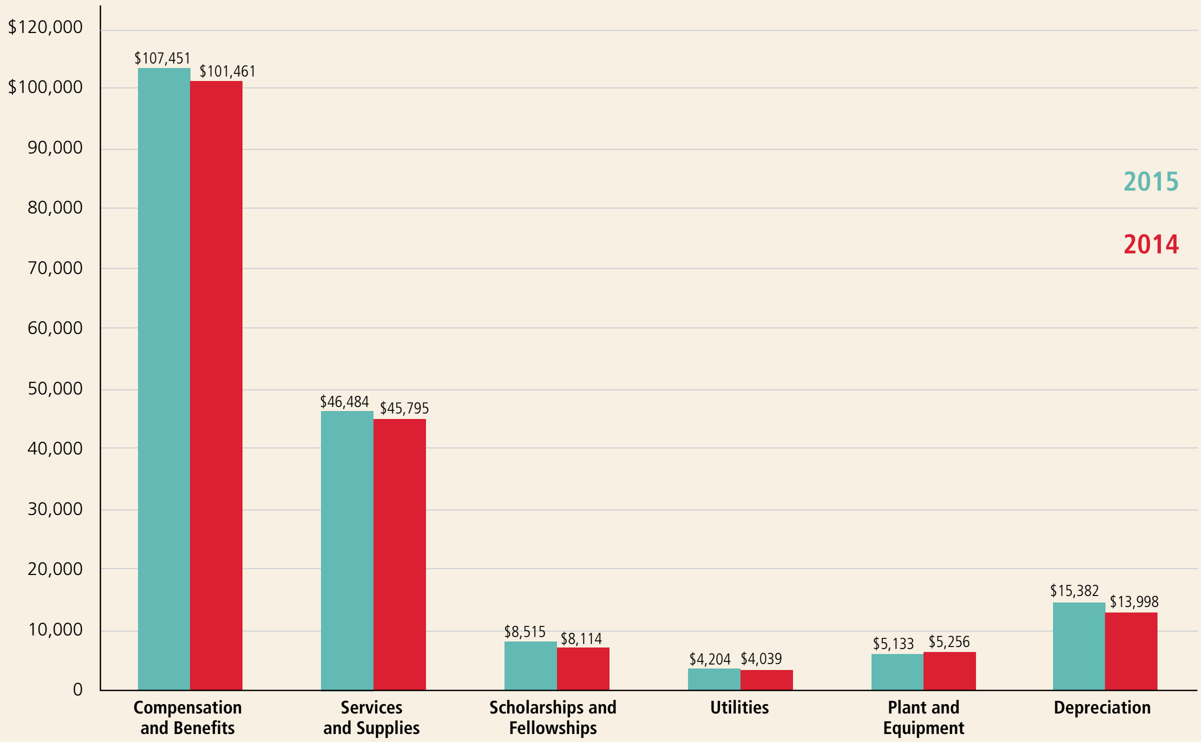
The following graphic illustration presents total expenses by function for fiscal year 2015:



Expenses by Natural Classification Comparison

($ shown in thousands)

The following chart compares expenses by natural classification for the years ended June 30, 2015 and 2014.



Operating revenues of the University consist primarily of student tuition and fees and revenues generated by various auxiliary enterprises. Operating revenues in total for fiscal year 2015 increased by $2.9 million as compared to fiscal year 2014. This increase was largely due to a $2.1 million increase in tuition and fees, net of scholarship allowances, $0.7 million increase in revenue from grants and contracts, and $0.6 million increase in other operating revenues, offset by a $0.5 million decline in auxiliary enterprises, net of scholarship allowances. The growth in revenues from tuition and fees is attributed to a Board of Visitors approved tuition and fee rate increase. To address continuing programmatic and instructional needs and to cover other mandatory cost increases including fringe benefit and health insurance rate adjustments, tuition rate increases ranged from 0.0 to 4.3 percent. In spite of the auxiliary comprehensive fee rate increase of 1.0 percent for fiscal year 2015, net auxiliary enterprise revenues declined by $0.5 million from the previous fiscal year. This was primarily attributable to a decline in the sale of dining plans to nonresidential students and an increase in residential credits issued to students living on campus.

Nonoperating revenues and expenses increased $3.7 million or 5.9 percent from fiscal year 2014 due to a $1.5 million increase in state appropriations, $1.0 million decline in nonoperating transfers to the Commonwealth, and $0.6 million increase in federal student financial aid (Pell). The growth in capital appropriations of $19.0 million was a result of an increase in capital construction funding, predominately related to the construction of the Center for the Sciences building and a new academic building for the College of Humanities and Behavioral Sciences funded via the 21st Century bond program.

Operating expenses for fiscal year 2015 increased $8.5 million or 4.8 percent over fiscal year 2014. From a natural expense standpoint, compensation and benefits comprises 57.4 percent of the University's operating expenses and services and supplies accounts for 24.8 percent. Compensation and benefits and depreciation contributed to the majority of the increase in operating expenses for 2015. Compensation and benefits increased $6.0 million or 5.9 percent. Generally, changes to expenses in this category are from three sources: increases or reductions in the number of personnel, annual salary increases, and the general trends in the costs of fringe benefits. The increase in compensation and benefits during fiscal year 2015 is largely due to the additional hire of full-time faculty and support positions and increases in fringe benefits and health insurance rates. Depreciation expense increased $1.4 million or 9.9 percent as a result of the completion of large capital projects including the Student Fitness Center. Operating expenses are presented on the *Statement of Revenues, Expenses, and Changes in Net Position* by their functional category. Expenses attributable to instruction and auxiliary activities comprise 34.8 and 25.9 percent, respectively, of total operating expenses.

Statement of Cash Flows—Summary Schedule
($ shown in thousands)

	2015	2014	Change Amount	Change Percent
Net cash used by operating activities	$(51,737)	$(44,494)	$(7,243)	16.3
Net cash provided by noncapital financing activities	66,541	63,028	3,513	5.6
Net cash used by capital and related financing activities	(21,195)	(16,040)	(5,155)	32.1
Net cash provided (used) by investing activities	(3,654)	1,695	(5,349)	(315.6)
Net increase (decrease) in cash	(10,045)	4,189	(14,234)	(339.8)
Cash and cash equivalents—beginning of year	111,567	107,378	4,189	3.9
Cash and cash equivalents—end of year	$101,522	$111,567	$(10,045)	(9.0)

The increase in operating expenses was greater than the increase in operating revenues resulting in an increase in the operating loss of $5.6 million. With the inclusion of state appropriations for the University in the nonoperating category, the University will routinely display an operating loss for the year. This operating loss is primarily covered by the state appropriations included in the nonoperating category as well as federal student financial aid (Pell), investment income, and capital appropriations.

Statement of Cash Flows

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

The *Statement of Cash Flows* is divided into five sections: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, cash flows from investing activities, and reconciliation of net operating loss to net cash used by operating activities.

The first section, cash flows from operating activities, deals with operating cash flows and shows net cash used by operating activities of the University. The cash flows from noncapital financing activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. Cash flows from capital and related financing activities presents cash used for the acquisition and construction of capital and related items. Included in cash flows from capital and related financing activities are plant fund activities (except for depreciation). Cash flows from investing activities reflects the cash flows generated from investments to include purchases, proceeds, and interest. The last section reconciles the operating loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* for the fiscal year to net cash used by operating activities.

Overall, the University had a net decrease in cash of $10.0 million from fiscal year 2014. The primary sources of cash for the University were state appropriations of $54.9 million, student tuition and fees of $59.9 million, auxiliary enterprise revenues at $55.5 million, and receipts for student loans of $55.9 million. The major uses of cash were employee compensation and benefits at $108.3 million, services and supplies of $49.0 million, student loan disbursements at $55.6 million, and the purchase of capital assets at $60.7 million. Net cash used by capital and related financing activities reflects an increase of $5.2 million from the prior year as a result of an increase in capital asset purchases and decline in proceeds from capital debt offset in part by an increase in capital appropriations and gifts. Net cash used by operating activities increased $7.2 million from fiscal year 2014 as a result of an increase in cash outflows for operating expenses exceeding the increase of cash inflows from operating revenue. Net cash provided by investing activities decreased $5.3 million from the previous fiscal year primarily due to securities lending.

Economic Outlook

The University's administration continues to closely monitor the fiscal environment in which the University operates and reviews key assumptions in the annual update of the University's fiscal plan. The University's 2015-16 operating budget was developed with specific consideration to tuition and fees, projected enrollment, institutional priorities, legislative actions by the General Assembly, and a regionally forecasted economic outlook.

Each year the fiscal plan builds upon the existing multi-year strategic budget plans developed by each division.

This collaborative process provides the framework for the University's Six-Year Plan submission to the State and positions the institution for continued success. The fiscal plan addresses critical academic and student support programmatic needs, considers unavoidable cost increases, and continues the implementation of the goals outlined in Radford University's Strategic Plan, 7-17. It also considers the goals outlined in the Statewide Strategic Plan (SSP) as well as the "Virginia Higher Education Opportunity Act of 2011 - Top Jobs for the 21st Century" (TJ21).

With the Commonwealth continuing to face a variety of fiscal challenges in the coming year, the impact on general fund appropriation remains uncertain. Although the financial outlook has shown moderate improvement since the beginning of the 2014-16 biennium, the health of the regional economy continues to be monitored closely. It is very encouraging, however, that in the face of these statewide challenges the perennial approach to conservative and prudent planning exhibited by the University has the institution on track for continued success in fiscal year 2016.

Radford University remains committed to providing a quality, affordable educational experience represented by the fact that among Virginia's four-year public institutions, the University is the third lowest total cost (tuition, fees, room and board) provider for in-state undergraduate students. As a public institution of higher education in Virginia, providing affordable educational opportunities for in-state undergraduate students is a priority, thus Radford University continues to rely heavily on state general fund support for its Educational and General (E&G) program activities. During the 2015 General Assembly Session, the Governor, House, and Senate emphasized their commitment toward higher education by shielding institutions from deeper budget cuts. The state also provided funding to mitigate the original 2014-16 budget reduction and authorized a salary increase for all employees as well as a compression adjustment for classified employees. For fiscal year 2016, state general fund support for the E&G program accounts for $47.7 million of the total projected program revenues representing a 2.0 percent increase from the fiscal year 2015 adjusted budget. This increase in state general fund support reflects central appropriation adjustments for unavoidable cost increases such as health insurance and fringe benefits rate changes.

Radford University continues to enjoy a healthy demand for its academic programs among Virginia residents and first generation students. Reflective of Radford University's growth and diversity, the Class of 2019 is composed of 1,962 new freshmen from 318 Virginia high schools and 159 out-of-state and international high schools, and represents 21 nations. Almost one-third (32 percent) of Virginia residents in the class are from northern Virginia and more than 37 percent of the new freshmen are first generation college students. Over 32 percent of the new freshmen class identify themselves as ethnic minorities, with 16.6 percent as African American and 8.1 percent as Hispanic/Latino.

As a result of placing a continued emphasis on enrollment planning and management as well as implementing new master's and doctoral programs, the University has witnessed enrollment growth in recent years and plans to maintain these levels to ensure dependable fiscal resources.

Radford University has initiated an intensive retention and high impact practices effort to engage students immediately upon their arrival to campus. The University contracted with industry leader Noel Levitz to develop a holistic retention plan, is researching best practices for student assistance programs, implemented an undergraduate research initiative, is developing yoked instructional and student engagement opportunities, and is evaluating enhancements for career services and experiential learning opportunities. The University has always been an institution that fosters an environment in which all students can find success both inside and outside of the classroom. Furthermore, retention and graduation rates have historically been above the national average of comparable peer institutions. Enhancing these longstanding achievements is an integral focus for the institution over the next biennium.

Substantial progress was made on various capital projects during fiscal year 2015. For fiscal year 2016, the University is continuing to move forward with several major capital projects including two technologically advanced buildings, the Center for the Sciences and the new academic building for the College of Humanities and Behavioral Sciences. These facilities are expected to open in spring 2016 and fall 2016, respectively.

During the summer of 2014, the University initiated a multi-building residence hall renovation project for Pocahontas, Bolling, and Draper Halls. These buildings have similar structures and floor plans which provide synergy and cost savings during design and construction. Pocahontas and Bolling Halls re-opened in fall 2015 and Draper Hall will re-open in fall 2016. Additionally, the State authorized construction funding for the renovation of Whitt Hall which is scheduled to commence in spring 2016. The addition and enhancements of each of these structures will certainly result in exciting changes and improve the landscape of Radford University.

In the coming years, Radford University will continue to demonstrate sound judgment in the use of its financial resources and explore innovative strategies for continuous improvement. Future planning efforts have positioned the University to respond immediately to changing economic conditions and will allow the institution to emerge even stronger. Admission applications and student interest in the University continue to be robust which is producing strong enrollments while at the same time there is a continued focus to maintain student quality. The impact of these planning efforts demonstrates the University's focus on the future and its ability to respond to unforeseen challenges by continuing to evaluate programmatic costs, identify efficiencies in operations, and prioritize the most critical needs in establishing and monitoring its operational budgets and finances.

Financial Statements

Statement of Net Position

As of June 30, 2015

	Radford University	Component Unit: Radford University Foundation, Inc.
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 89,728,103	$ 689,940
Restricted cash and cash equivalents (Note 3)	10,036,396	-
Short-term investments (Notes 3, 20C)	101,261	51,737,630
Accounts receivable (net of allowance for doubtful accounts of $440,270) (Note 4)	2,262,480	-
Contributions receivable (net of allowance for uncollectible contributions and discount of $27,760) (Note 20A)	-	908,807
Due from the Commonwealth (Note 12)	10,197,412	-
Due from Federal Government	421,920	-
Inventory	465,794	-
Notes receivable (net of allowance for doubtful accounts of $220,998 and $ -) (Notes 4, 20B)	951,634	4,529
Prepaid expenses	4,337,359	22,710
Other assets	-	4,400,000
Other receivables	-	41,205
Total current assets	118,502,359	57,804,821
Noncurrent assets		
Restricted cash and cash equivalents (Note 3)	1,757,065	-
Long-term investments (Note 20C)	-	11,793,398
Contributions receivable (net of allowance for uncollectible contributions and discount of $78,183) (Note 20A)	-	630,561
Other assets	-	201,621
Notes receivable (net of allowance for doubtful accounts of $445,118 and $ -) (Notes 4, 20B)	2,086,509	32,979
Depreciable capital assets, net (Notes 5, 20D)	213,569,295	5,113,019
Nondepreciable capital assets (Notes 5, 20D)	92,719,945	3,601,153
Total noncurrent assets	310,132,814	21,372,731
Total assets	$ 428,635,173	$ 79,177,552
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources from net pension obligation	$ 6,782,774	$ -
Total deferred outflows of resources (Note 14)	$ 6,782,774	$ -

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position

As of June 30, 2015

	Radford University	Component Unit: Radford University Foundation, Inc.
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 6)	$ 26,079,520	$ 83,635
Unearned revenue	4,328,273	299,510
Obligations under securities lending	2,898,994	-
Deposits held in custody for others	654,011	-
Line of credit (Note 20E)	-	400,000
Current portion of long-term debt (Notes 7, 20F)	1,681,807	315,593
Current portion of other noncurrent liabilities (Note 8)	1,819,277	-
Trust and annuity obligations	-	58,355
Total current liabilities	37,461,882	1,157,093
Noncurrent liabilities		
Long-term debt (Notes 7, 20F)	48,935,146	904,070
Pension obligations (Note 14)	58,028,000	-
Trust and annuity obligations	-	447,619
Other noncurrent liabilities (Note 8)	4,310,345	-
Total noncurrent liabilities	111,273,491	1,351,689
Total liabilities	$ 148,735,373	$ 2,508,782
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from net pension obligation	$ 10,225,000	-
Total deferred inflows of resources (Note 14)	$ 10,225,000	$ -
NET POSITION		
Net investment in capital assets	$ 265,004,265	$ 8,286,173
Restricted for:		
Expendable:		
Scholarships and fellowships	456,003	17,921,209
Instruction and research	1,888,479	3,140,934
Loans	136,086	-
Debt service	1,059,888	-
Other	-	12,810,625
Nonexpendable:		
Scholarships and fellowships	-	20,022,022
Instruction and research	-	2,222,090
Other	-	3,782,376
Unrestricted	7,912,853	8,483,341
Total net position	$ 276,457,574	$ 76,668,770

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2015

	Radford University	Component Unit: Radford University Foundation, Inc.
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of $11,887,474)	$ 59,758,918	$ -
Gifts and contributions	-	2,209,247
Federal grants and contracts	4,724,333	-
State grants and contracts	1,214,732	-
Nongovernmental grants and contracts	240,572	-
Auxiliary enterprises (net of scholarship allowance of $9,623,761) (Note 9)	55,727,305	-
Other operating revenues	1,925,183	791,712
Total operating revenues	123,591,043	3,000,959
OPERATING EXPENSES		
Instruction	65,066,771	14,953
Research	459,540	-
Public service	3,771,459	-
Academic support	10,233,006	1,981,701
Student services	6,376,722	-
Institutional support	18,802,530	1,682,098
Operation and maintenance of plant	12,501,520	-
Depreciation (Note 5)	15,382,004	221,324
Student aid	6,095,227	1,331,358
Auxiliary activities (Note 9)	48,480,668	-
Total operating expenses (Note 10)	187,169,447	5,231,434
Operating loss	(63,578,404)	(2,230,475)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 11)	54,903,268	-
Federal student financial aid (Pell)	11,538,278	-
Investment income	539,791	7,744,795
Interest on capital asset-related debt	(571,057)	(37,689)
Loss on capital assets	(118,567)	(26,810)
Nonoperating transfers to the Commonwealth	(410,257)	-
Net nonoperating revenues	65,881,456	7,680,296
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	2,303,052	5,449,821
Capital appropriations and gifts (Note 12)	38,052,015	447,640
Additions to permanent endowments	-	773,138
Additions to term endowments	-	33,985
Total other revenues	38,052,015	1,254,763
Increase in net position	40,355,067	6,704,584
Net position—beginning of year, as restated (Note 2)	236,102,507	69,964,186
Net position—end of year	$ 276,457,574	$ 76,668,770

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows

As of June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$	59,916,048
Grants and contracts		5,918,774
Auxiliary enterprises		55,548,654
Other receipts		1,876,428
Payments for salaries, wages, and fringe benefits		(108,311,966)
Payments for services and supplies		(48,976,802)
Payments for utilities		(4,203,750)
Payments for scholarships and fellowships		(8,515,356)
Payments for noncapitalized plant improvements and equipment		(5,133,573)
Loans issued to students and employees		(875,701)
Collections of loans from students and employees		1,039,798
Other payments		(20,000)
Net cash used by operating activities	$	(51,737,446)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	$	54,903,268
Non-General Fund appropriations		(410,257)
Federal student financial aid (Pell)		11,550,063
Federal loan contribution		(104,151)
Federal Direct Lending Program - receipts		55,926,674
Federal Direct Lending Program - disbursements		(55,647,887)
Agency and other receipts and payments, net		323,361
Net cash provided by noncapital financing activities	$	66,541,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital debt	$	9,963,156
Capital appropriations and gifts		32,460,157
Purchase of capital assets		(60,720,446)
Principal paid on capital debt and installments		(1,301,565)
Interest paid on capital debt and installments		(1,595,800)
Net cash used by capital and related financing activities	$	(21,194,498)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments		(4,318,932)
Proceeds from sale and maturities of investments		125,102
Interest on investments		539,791
Net cash used by investing activities	$	(3,654,039)
Net decrease in cash	$	(10,044,912)
Cash and cash equivalents—beginning of the year		111,566,476
Cash and cash equivalents—end of the year	$	101,521,564

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows

As of June 30, 2015

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$	(63,578,404)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		15,382,004
Changes in assets, liabilities, and deferred outflows of resources:		
Accounts receivable, net		(413,800)
Inventory		(1,831)
Prepaid expenses		(1,124,732)
Notes receivable, net		176,472
Deferred outflows of resources for defined benefit pension plans		(776,774)
Accounts payable and accrued expenses		(1,369,691)
Unearned revenue		70,287
Advance from the Treasurer of Virginia		(20,000)
Accrued compensated absences		(80,977)
Net cash used by operating activities	$	(51,737,446)
NONCASH CAPITAL AND FINANCING ACTIVITIES:		
Gift of capital assets		423,413
Amortization of bond premium		(188,216)
Loss on disposal of capital assets		(98,147)

The accompanying notes to financial statements are an integral part of this statement.

Notes to Financial Statements

Table of Contents

Notes to Financial Statements

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

Radford University (the University) is a comprehensive university that is part of the statewide system of public higher education in the Commonwealth of Virginia (the Commonwealth). The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. The Commonwealth prepares a separate financial report that incorporates all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth and is included in the Commonwealth's general purpose financial statements.

Under Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34,* the Radford University Foundation, Inc. (the Foundation) meets the criteria to qualify as a component unit of the University. The Foundation is a legally separate tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fundraising and funds management efforts that benefit the University and its programs. The seventeen member board of the Foundation is self-perpetuating and consists of alumni, supporters, and senior staff of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2015, the Foundation made distributions of $2,337,000 to or on behalf of the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by contacting the Radford University Foundation Administrative Office at P.O. Box 6893, Radford, Virginia 24142.

Basis of Presentation

The University prepares its financial statements in conformity with U.S. generally accepted accounting principles as prescribed by GASB.

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

During the year ended June 30, 2015, the following GASB statements became effective: Statement 68, *Accounting and Financial Reporting for Pensions;* Statement 69, *Government Combinations and Disposals of Government Operations;* Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Statement 68, *Accounting and Financial Reporting for Pensions,* establishes requirements for accounting and reporting of pensions provided to employees of state and local governments through pension plans administered by trusts that meet certain criteria. For pension plans not covered by the scope of Statement 68, the requirements of Statement 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement 50, *Pension Disclosures,* remain applicable. Statement 68 requires the University to recognize a pension obligation measured as the total pension liability less the amount of the pension plan's fiduciary net position. Total pension liability is determined as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees attributed to those employee's past periods of service. Pension liability, current year pension expense, and related deferred inflows and outflows of resources reported by the University have been determined on the same basis as reported to the University by the Virginia Retirement System (VRS, or the System). Statement 68 also establishes mandatory note disclosures and required supplementary information to establish consistency and transparency of pension transactions and related pension plan information.

Statement 69, *Government Combinations and Disposals of Government Operations,* establishes financial reporting standards related to and note disclosures for mergers, acquisitions, transfers of operations, and disposals of government operations. The University was not engaged in activity governed by Statement 69 during the year ended June 30, 2015.

Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* addresses the application of Statement 68 when contributions are made by state or local government employers, or nonemployer contributing entities, to a defined benefit pension plan after the measurement date of the institution's beginning net pension liability. The requirements of Statement 71, which were applied concurrently with those of Statement 68, eliminate the source of a potential material understatement of restated beginning net position and expense in the first year of implementation when contributions were made after the measurement date of the beginning net pension liability.

The Foundation is a non-profit organization that prepares its financial statements in conformity with U.S. generally accepted accounting principles as prescribed by FASB, including FASB Statement 117, *Financial Statements of Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. Reclassifications have been made to convert the Foundation's financial information to GASB presentation format.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

For purposes of the *Statement of Net Position* and *Statement of Cash Flows,* the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Restricted cash and cash equivalents are externally restricted for the acquisition or construction of capital assets. Restricted cash and cash equivalents to be used in accordance with restrictions within the next fiscal year are classified as current assets and the remainder is classified as noncurrent assets on the *Statement of Net Position.*

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* modified by GASB Statement 59, *Financial Instruments Omnibus,* purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), are reported as nonoperating revenue or expense in the *Statement of Revenues, Expenses, and Changes in Net Position.*

Short-term investments are classified as current assets on the *Statement of Net Position* and include investments with an original maturity over 90 days but less than or equal to one year at the time of purchase.

Accounts Receivable

Accounts receivable consist of charges for tuition and fees and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. See Note 4 for a detailed list of accounts receivable by major category.

Inventories

Inventories are valued at cost, generally determined on the first-in, first-out method, and consists primarily of fuel held for consumption.

Notes Receivable

Notes receivable consist of amounts due from the Federal Perkins Loan Program, Nursing Student Loan Program, and other student loan programs administered by the University. Notes receivable are recorded net of allowance for doubtful accounts. See Note 4 for a detailed list of notes receivable by major category.

Capital Assets

Capital assets include land, buildings, infrastructure, building and other improvements, equipment, intangibles, and library materials. Capital assets are recorded at actual costs or estimated historical costs, if purchased or constructed. Donated capital assets are recognized at fair market value at the date of donation.

Equipment with an expected useful life of greater than one year and with a value or cost of $5,000 or more at the date of acquisition are capitalized. Intangibles, principally software, are capitalized when acquisition costs are $10,000 or more and the estimated useful life is three years or greater. Library materials are valued using actual costs for library acquisitions. Construction and renovation costs are recorded as construction in progress until the project is substantially complete at which the costs are removed from construction in progress and capitalized in the appropriate capital asset account (e.g. buildings, improvements, etc.) Such construction projects are capitalized when expenses total more than $100,000. Routine repairs and maintenance that do not add to the value of an asset or extend the useful life of an asset are not capitalized and are charged to operating expenses.

Interest expense incurred during the construction of capital assets is capitalized net of interest income earned on resources set aside for this purpose. The University incurred and capitalized net interest expense related to the construction of capital assets of $804,348 for the fiscal year ended June 30, 2015.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	40 years
Building improvements	20 years
Other improvements and infrastructure	20 years
Equipment	3-15 years
Intangibles (software)	3-15 years
Library materials	10 years

Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees is recorded as a liability on the *Statement of Net Position*. The amount reflects, as of June 30, 2015, all unused annual, sick, compensatory, and recognition leave, as well as the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. See Note 8 for current and noncurrent amounts.

Unearned Revenue

Unearned revenue primarily includes amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities related to the period subsequent to June 30, 2015.

Noncurrent Liabilities

Noncurrent liabilities include the following:

- Principal amounts of notes and bonds payable and installment purchase obligations with maturities greater than one year
- Estimated amounts for accrued compensated absences
- Refundable contributions from the Federal government to fund the operations of the Perkins Loan Program and the Nursing Student Loan Program
- Estimated pension obligation for the University's defined benefit pension plans

See Notes 7, 8, and 14 for detailed information and amounts.

Pension Obligation

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 14 for general information about the pension plans and calculation of the net pension liability.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. Deferred outflows of resources have a positive impact on net position similar to assets in comparison to deferred inflows of resources which have a negative effect on net position similar to liabilities.

Net Position

GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended by GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* requires that the *Statement of Net Position* report the difference between assets, deferred outflows, liabilities, and deferred inflows as net position. Net position is classified into four major components: net investment in capital assets, restricted expendable, restricted nonexpendable, and unrestricted.

- **Net investment in capital assets**—Net investment in capital assets represents the University's total capital assets, net of accumulated depreciation, reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. Debt incurred, but not yet expended for capital assets, net of accounts and retainage payable to be paid with unspent debt proceeds, is not included as a component of net investment in capital assets.

- **Restricted–expendable**—The expendable restricted component of net position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- **Restricted–nonexpendable**—Restricted nonexpendable net position consists of endowment and similar-type funds in which donors or other outside sources have stipulated that the principal is to be maintained in perpetuity and invested for the purpose of producing present or future income to be expended or added to the principal. As of June 30, 2015, the University does not have nonexpendable restricted net position.
- **Unrestricted**—The unrestricted component of net position represents resources used for transactions relating to academic departments and general operations of the University, and may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, research, and outreach. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are intercollegiate athletics and student residential and dining programs.

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 before unrestricted resources.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Direct Lending, and Perkins Loan programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations,* and the Compliance Supplement.

Income Taxes

The University, as an agency of the Commonwealth, is excluded from federal income taxes under Section 115 of the *Internal Revenue Code.* The Foundation is a 501(c)(3) organization and is exempt from federal income tax under the *Internal Revenue Code.* Certain activities of the University and Foundation may be subject to taxation as unrelated business income.

Revenue Classifications

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, state appropriations, investment income, and other revenue sources that are defined as nonoperating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Operating expenses include expenses necessary for the operation of the University including compensation and benefits, services and supplies, and operation and maintenance of plant, as well as any expense not classified as nonoperating.

Nonoperating expenses are expenses incurred for interest on debt related to the purchase or construction of capital assets and losses on disposal of capital assets.

Scholarship Discounts and Allowances

Student tuition and fees and certain auxiliary enterprise revenues from students are reported net of scholarship discounts and allowances in the *Statement of Revenues,* *Expenses, and Changes in Net Position.* Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties on the students' behalf. Scholarship discounts and allowances are reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO), which calculates scholarship discounts and allowances on a university-wide basis rather than on an individual basis.

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

NOTE 2: Restatement of Net Position

Net position originally reported in the University's financial statements as of June 30, 2014, has been restated to reflect the implementation of GASB statements effective for the year ending June 30, 2015 and further evaluation of assets and liabilities.

Net position, June 30, 2104, as previously reported	$	297,790,582
Change in reporting for the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date:*		
Beginning net pension liability		(65,873,000)
Pension contributions during fiscal year 2014		3,626,000
Restatement to capital assets		558,925
Total prior period restatement		(61,688,075)
Net position, July 1, 2014, as restated	$	236,102,507

NOTE 3: Cash and Cash Equivalents and Investments

The following information is provided with respect to the University's cash, cash equivalents, and investments and related risk disclosures as of June 30, 2015, in accordance with GASB Statement 40, *Deposit and Investment Risk Disclosures:*

Custodial Credit Risk (category 3 deposits and investments)—The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The University had no category 3 deposits or investments as of June 30, 2015.

Credit Risk—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University is required to disclose the credit quality ratings of all investments subject to credit risk.

Concentration of Credit Risk—The risk of loss attributed to the magnitude of an investment in a single issuer. Disclosure of investments with any one issuer that represents 5 percent or more of total investments is required. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement. The University does not have investments subject to risks due to concentration of credit.

Interest Rate Risk—The risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have an interest rate risk policy and does not have investments or deposits that are sensitive to changes in interest rates as of June 30, 2015.

Foreign Currency Risk—The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments or deposits during fiscal year 2015.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia,* all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia.* In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting,* cash and cash equivalents represents cash with the Treasurer, cash on hand, temporary investments with original maturities of three months or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The financial institution that holds the University's local cash provides an interest bearing checking account that allows the University to earn a competitive rate of interest on 100 percent of its collected balances.

Investments

Management of the University's investments is governed by the University's investment policy as approved by the Board of Visitors. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., *Code of Virginia.* Investments are categorized as short-term or long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

As of June 30, 2015	**Market Value**
Cash and cash equivalents:	
Cash on hand and deposited with financial institutions	$7,801,430
Cash with the Treasurer of Virginia	79,128,940
Collateral held for Securities Lending	2,797,733
Cash equivalents (State Non-Arbitrage Program)	11,793,461
Total cash and cash equivalents	$101,521,564
Restricted cash and cash equivalents:	
Current:	
Cash and cash equivalents (State Non-Arbitrage Program)	$10,036,396
Noncurrent:	
Cash and cash equivalents (State Non-Arbitrage Program)	1,757,065
Total restricted cash and cash equivalents	$11,793,461
Investments:	
Collateral held for Securities Lending (short-term)	$101,261

Securities Lending Transactions

GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions,* establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer their securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report.* The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

NOTE 4: Accounts and Notes Receivable

Accounts receivable consisted of the following at June 30, 2015:

Student tuition and fees	$782,029
Auxiliary enterprises	535,787
Federal, state, and nongovernmental grants and contracts	1,136,651
Other activities	248,283
	2,702,750
Less allowance for doubtful accounts	(440,270)
Net accounts receivable	$2,262,480

Notes receivable consisted of the following at June 30, 2015:

Current:	
Federal student loans	$1,051,881
Institutional student loans	120,751
	1,172,632
Less allowance for doubtful accounts	(220,998)
Net current notes receivable	$951,634
Noncurrent portion:	
Federal student loans	$2,398,640
Institutional student loans	132,987
	2,531,627
Less allowance for doubtful accounts	(445,118)
Net noncurrent notes receivable	$2,086,509

NOTE 5: Capital Assets

A summary of changes in the various capital asset categories for the year ending June 30, 2015 is presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets:				
Land	$11,192,308	$775,348	-	$11,967,656
Construction in progress	52,857,943	61,854,504	33,960,158	80,752,289
Total nondepreciable capital assets	64,050,251	62,629,852	33,960,158	92,719,945
Depreciable capital assets:				
Buildings	266,453,817	33,654,999	21,190	300,087,626
Infrastructure	22,349,228	-	-	22,349,228
Intangibles	8,117,998	45,284	-	8,163,282
Equipment	34,522,305	3,003,770	2,570,319	34,955,756
Other improvements	10,685,689	263,143	-	10,948,832
Library materials	23,035,645	1,834,371	1,016,704	23,853,312
Total depreciable capital assets	365,164,682	38,801,567	3,608,213	400,358,036
Less accumulated depreciation for:				
Buildings	108,972,816	9,666,046	21,190	118,617,672
Infrastructure	20,390,667	314,267	-	20,704,934
Intangibles	3,560,217	563,121	-	4,123,338
Equipment	22,221,872	2,862,805	2,472,172	22,612,505
Other improvements	6,189,613	373,566	-	6,563,179
Library materials	13,581,618	1,602,199	1,016,704	14,167,113
Total accumulated depreciation	174,916,803	15,382,004	3,510,066	186,788,741
Depreciable capital assets, net	190,247,879	23,419,563	98,147	213,569,295
Total capital assets, net	$254,298,130	$86,049,415	$34,058,305	$306,289,240

NOTE 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following at June 30, 2015:

Employee salaries, wages, and fringe benefits payable	$10,619,921
Vendors and suppliers accounts payable	3,572,360
Capital projects accounts and retainage payable	11,498,550
Accrued interest payable	388,689
Total accounts payable and accrued expenses	$26,079,520

NOTE 7: Long-Term Debt

Notes Payable—Pooled bonds

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes.

The composition of notes payable at June 30, 2015, is summarized as follows:

Notes Payable–Pooled Bonds:	Interest Rates	Final Maturity
Student Fitness Center		
Series 2009B, $3.720 million par amount	2.00% - 5.00%	September 1, 2029
Series 2011A, $4.235 million par amount	3.00% - 5.00%	September 1, 2031
Series 2012B, $11.155 million par amount	3.00% - 5.00%	September 1, 2032
Series 2013A, $4.865 million par amount	2.00% - 5.00%	September 1, 2033

Bonds Payable—9c

The University has issued bonds pursuant to section 9(c) of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

The composition of bonds payable at June 30, 2015, is summarized as follows:

Bonds Payable–9c:	Interest Rates	Final Maturity
Renovation of Washington Hall (residence hall)		
Series 2013A, $5.040 million par amount	2.00% - 5.00%	June 1, 2033
Renovation of Pocahontas, Bolling, Draper (residence halls)		
Series 2014A, $11.080 million par amount	2.00% - 5.00%	June 1, 2034
Series 2015A, $8.820 million par amount	2.00% - 5.00%	June 1, 2035

Installment Purchase Obligations

The University has future obligations under an installment purchase agreement initiated in January 2009. The capitalized value of the asset purchased under this installment purchase agreement is $114,460 and the repayment term is 10 years at an interest rate of 2.087 percent.

A summary of changes in long-term debt for the year ending June 30, 2015, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Long-term debt:						
Notes payable–pooled bonds	$24,887,996	$ -	$925,155	$23,962,841	$855,000	$23,107,841
Bonds payable–9c	17,195,280	9,963,156	553,061	26,605,375	815,000	25,790,375
Installment purchase obligations	60,302	-	11,565	48,737	11,807	36,930
Total long-term debt	$42,143,578	$9,963,156	$1,489,781	$50,616,953	$1,681,807	$48,935,146

Future principal payments on long-term debt are as follows:

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable—9c	Installment Purchase
June 30, 2016	$855,000	$815,000	$11,807
June 30, 2017	895,000	870,000	12,055
June 30, 2018	935,000	905,000	12,308
June 30, 2019	980,000	950,000	12,567
June 30, 2020	1,030,000	1,000,000	-
2021–2025	5,935,000	5,785,000	-
2026–2030	7,265,000	7,095,000	-
2031–2035	4,150,000	6,870,000	-
Unamortized Premium	1,917,841	2,315,375	-
Total	$23,962,841	$26,605,375	$48,737

Future interest payments on long-term debt are as follows:

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable—9c	Installment Purchase
June 30, 2016	$890,831	$989,338	$956
June 30, 2017	847,931	934,700	708
June 30, 2018	802,181	894,100	455
June 30, 2019	756,256	848,850	197
June 30, 2020	710,956	801,350	-
2021–2025	2,767,681	3,213,450	-
2026–2030	1,428,778	1,915,412	-
2031–2035	232,927	626,900	-
Total	$8,437,541	$10,224,100	$2,316

NOTE 8: Other Noncurrent Liabilities

The University's other noncurrent liabilities consist of accruals for compensated absences and federal loan program contributions refundable to the federal government. A summary of changes in other noncurrent liabilities for the year ending June 30, 2015, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Other liabilities:						
Accrued compensated absences	$2,772,445	$4,004,739	$4,085,716	$2,691,468	$1,819,277	$872,191
Federal loan program contributions refundable	3,542,305	-	104,151	3,438,154	-	3,438,154
Total other liabilities	$6,314,750	$4,004,739	$4,189,867	$6,129,622	$1,819,277	$4,310,345

NOTE 9: Auxiliary Activities

Auxiliary operating revenues and expenses consisted of the following at June 30, 2015:

Revenues	
Room contracts (net of scholarship allowances of $2,390,780)	$11,608,273
Dining service contracts (net of scholarship allowances of $2,294,324)	11,239,952
Comprehensive fee (net of scholarship allowances of $4,938,657)	23,454,801
Other student fees and sales and services	9,424,279
Auxiliary enterprises revenue	$55,727,305

Expenses	
Residential facilities	$9,265,405
Dining operations	15,084,741
Athletics	9,213,050
Other auxiliary activities	14,917,472
Auxiliary activities expense	$48,480,668

NOTE 10: Expenses by Natural Classification

	Compensation and Benefits	Depreciation	Plant and Equipment	Scholarships and Fellowships	Services and Supplies	Utilities	Total
Instruction	$58,575,426	$ -	$1,845,193	$903,536	$3,742,616	$ -	$65,066,771
Research	271,113	-	38,073	-	150,354	-	459,540
Public service	1,744,919	-	47,890	8,440	1,970,210	-	3,771,459
Academic support	8,739,856	-	245,380	3,849	1,243,921	-	10,233,006
Student services	4,497,275	-	88,018	-	1,791,429	-	6,376,722
Institutional support	14,590,805	-	399,727	-	3,811,998	-	18,802,530
Operation and maintenance of plant	5,301,926	-	870,544	-	4,015,235	2,313,815	12,501,520
Depreciation	-	15,382,004	-	-	-	-	15,382,004
Student aid	-	-	-	6,095,227	-	-	6,095,227
Auxiliary activities	13,729,525	-	1,598,748	1,504,304	29,758,156	1,889,935	48,480,668
Total	$107,450,845	$15,382,004	$5,133,573	$8,515,356	$46,483,919	$4,203,750	$187,169,447

NOTE 11: State Appropriations

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that unexpended General Fund appropriations that remain on the last day of the current year, ending June 30, 2015, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2015, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations. The following is a summary of state appropriations received by the University during the year ended June 30, 2015, including all supplemental appropriations and reversions:

Original legislative appropriation:	
Educational and general (E&G) programs	$46,021,317
Educational and general (E&G) legislative reduction	(1,113,249)
Student financial assistance	8,087,230
Supplemental adjustments:	
Virtual Library of Virginia (VIVA) allocation	11,971
Prior year NGF carryforward	665,335
Virginia Military Survivors and Dependents Education Program	70,970
Two Year College Transfer Grant Program	60,000
Financial assistance for E&G programs	32,740
Central appropriation transfers:	
Health insurance	302,657
Retirement contribution changes	738,216
Other transfers	26,952
Reversion to the General Fund of the Commonwealth	(871)
Adjusted appropriation	$54,903,268

NOTE 12: Capital Appropriations

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2015, funding was provided to the University from two programs, 21st Century program and the Equipment Trust Fund, managed by the Virginia College

Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities.

The following is a summary of capital appropriations and gifts recognized by the University for the year ended June 30, 2015.

VCBA 21st Century program	$36,137,827
VCBA Equipment Trust Fund program	1,490,775
Capital donations	423,413
Capital appropriations and gifts	$38,052,015

A portion of the funding for these programs is reported as a receivable due from the Commonwealth at June 30, 2015, which consisted of the following:

VCBA 21st Century program	$8,966,015
VCBA Equipment Trust Fund program	1,231,397
Due from the Commonwealth	$10,197,412

NOTE 13: Commitments

At June 30, 2015, the University was a party to construction contracts totaling approximately $84.7 million of which $77.7 million has been incurred. Remaining commitments totaling $7.0 million represent the unperformed portion of the construction contracts and, as such, have not been accrued as expenses or liabilities on the University's financial statements.

The University is committed under various operating leases for land and buildings. In most cases, the University has renewal options on the leased assets for another similar term, and expects that, in the normal course of business, these leases will be replaced by similar leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the financial statements. A portion of the University's operating leases are lease agreements with the Radford University Foundation, Inc. (the Foundation), a component unit of the University. Rental expense was approximately $2,233,000 for the year ended June 30, 2015 of which $453,000 was paid to the Foundation.

The University has, as of June 30, 2015, the following future minimum rental payments due under operating leases:

Fiscal Year Ending	Future Minimum Lease Payments
June 30, 2016	$617,137
June 30, 2017	305,833
June 30, 2018	93,703
June 30, 2019	18,099
June 30, 2020	3,016
	$1,037,788

NOTE 14: Defined Benefit Plans and Related Pension Obligation

Plan Description

Employees of the University are employees of the Commonwealth. All full-time, salaried permanent employees of the University upon employment have the option to participate in the VRS State Employee Retirement Plan or, if a campus police officer, the Virginia Law Officers' Retirement System (VaLORS) Retirement Plan.

These plans are single-employer plans treated as cost-sharing plans for financial reporting purposes. They are administered by the Virginia Retirement System (VRS, or the System) along with plans for other employer groups in the Commonwealth. 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 have different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table:

Retirement Plan Provisions by Plan Structure

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1	**About Plan 2**	**About the Hybrid Retirement Plan**
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

*Non-Eligible Members

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the Virginia Law Officers' Retirement System (VaLORS)

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Retirement Contributions

State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Retirement Contributions

State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Plan 1	Plan 2	Hybrid Retirement Plan
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible

to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Calculating the Benefit

Same as Plan 1.

Calculating the Benefit

Defined Benefit Component:

Same as Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when age and service equal 90. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** Age 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1.

Exceptions to COLA Effective Dates:

Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2.

Defined Contribution Component:

Not applicable.

Eligibility:

Same as Plan 1.

Exceptions to COLA Effective Dates:

Same as Plan 1.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Disability Coverage

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

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Purchase of Prior Service

Same as Plan 1.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia,* as amended, but may be impacted as a result of funding provided to state agencies, including the University, by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement. Prior to July 1, 2012, the 5.0% member contribution was paid by the University. Beginning July 1, 2012 state employees were required to pay the 5.0% 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. The University's contractually required contribution rate for the year ended June 30, 2015 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan and 17.67% of covered employee compensation for employees in the VaLORS Retirement Plan. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80% and the actuarial rate for VaLORS Retirement Plan was 21.06%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia,* as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88% of the actuarial rate for the year ended June 30, 2015. Contributions from the University to the VRS State Employee Retirement Plan were $5,064,188 and $3,338,333 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions from the University to the VaLORS Retirement Plan were $174,586 and $136,412 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the University reported a liability of $56,267,000 for its proportionate share of the VRS State Employee Retirement Plan net pension liability and a liability of $1,761,000 for its proportionate share of the VaLORS Retirement Plan net pension liability. The University's total pension obligation as reported on the *Statement of Net Position* is $58,028,000 at June 30, 2015. The net pension liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the University's proportion of the VRS State Employee Retirement Plan was 1.005% as compared to 0.974% at June 30, 2013. At June 30, 2014, the University's proportion of the VaLORS Retirement Plan was 0.261% as compared to 0.258% at June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $4,294,000 for the VRS State Employee Retirement Plan and $168,000 for the VaLORS Retirement Plan, which had a combined total of $4,462,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, the University reported deferred outflows of resources related to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan from the following sources:

Deferred Outflows of Resources	VRS State Employee Retirement	VaLORS Plan	Total
Changes in proportion and differences between employer contributions and proportionate share of contributions	$1,524,000	$20,000	$1,544,000
Employer contributions subsequent to the measurement date	5,064,188	174,586	5,238,774
Total	$6,588,188	$194,586	$6,782,774

At June 30, 2015, the University reported deferred inflows of resources related to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan from the following sources:

Deferred Inflows of Resources	VRS State Employee Retirement	VaLORS Plan	Total
Net difference between projected and actual earnings on pension plan investments	$10,043,000	$182,000	$10,225,000
Total	$10,043,000	$182,000	$10,225,000

A total of $5,238,774 of reported deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	VRS State Employee Retirement	VaLORS Plan	Total
June 30, 2016	$1,982,000	$38,000	$2,020,000
June 30, 2017	1,982,000	38,000	2,020,000
June 30, 2018	2,045,000	42,000	2,087,000
June 30, 2019	2,510,000	44,000	2,554,000
	$8,519,000	$162,000	$8,681,000

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates:

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

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates:

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

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability 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, 2014, net pension liability amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	VRS State Employee Retirement	**VaLORS Plan**
Total pension liability	$21,766,933	$1,824,577
Plan fiduciary net position	16,168,535	1,150,450
Employers' net pension liability	$5,598,398	$674,127
Plan fiduciary net position as a percentage of total pension liability	74.28%	63.05%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. equity	19.50%	6.46%	1.26%
Developed non U.S equity	16.50%	6.28%	1.04%
Emerging market equity	6.00%	10.00%	0.60%
Fixed income	15.00%	0.09%	0.01%
Emerging debt	3.00%	3.51%	0.11%
Rate sensitive credit	4.50%	3.51%	0.16%
Non rate sensitive credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public real estate	2.25%	6.12%	0.14%
Private real estate	12.75%	7.10%	0.91%
Private equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
*Expected arithmetic nominal return			8.33%

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

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$82,425,000	$56,267,000	$34,332,000

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	$2,407,000	$1,761,000	$1,231,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2015, the University had accrued retirement contributions payable to the pension plan of $207,215 including $197,470 payable to the VRS State Employee Retirement Plan and $9,745 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2015, but not yet paid to the plan.

NOTE 15: **Defined Contribution Plans**

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in optional retirement plans as authorized by the *Code of Virginia* rather than VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments Tax-Exempt Services Company. These plans are fixed contribution programs where the retirement benefits received are based upon employer and employee contributions, plus net investment gains or losses. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4 percent. Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5 percent and an employee required contribution rate of 5 percent. Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions.

Total employer pension costs under optional retirement plans were approximately $2.7 million for the year ended June 30, 2015 of which $355,218 is reflected as a current liability on the *Statement of Net Position* at June 30, 2015. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $27.6 million for fiscal year 2015.

Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. 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 may 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 $312,000 for fiscal year 2015.

NOTE 16: **Postemployment Benefits**

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

NOTE 17: **Grants and Contracts Contingencies**

The University received grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University. In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2015, the University estimates that no material liabilities will result from such audits or questions.

NOTE 18: Federal Direct Lending Program

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding tuition and fee charges or refunded directly to the student. These loan proceeds are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position*. The activity is included in the noncapital financing section of the *Statement of Cash Flows*. For the fiscal year ended June 30, 2015, cash provided by the program totaled $55.9 million and cash used by the program totaled $55.6 million.

NOTE 19: Risk Management and Employee Health Care Plans

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth. 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. Further information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's *Comprehensive Annual Financial Report*.

NOTE 20: Component Unit Financial Information

(A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2015:

Current:	
Receivables due in less than one year	$936,567
Less allowance for uncollectible contributions	(27,760)
Net current contributions receivable	$908,807
Noncurrent:	
Receivables due in one to five years	$694,100
Receivables due in more than five years	14,644
Less discount to net present value	(64,353)
Less allowance for uncollectible contributions	(13,830)
Net noncurrent contributions receivable	$630,561
Total contributions receivable	$1,539,368

The discount rate used in 2015 was 5.66 percent. As of June 30, 2015, there were no conditional promises to give.

(B) Notes Receivable

Note receivable due in monthly payments of $542 through May 2022 with interest receivable at 5.50 percent and secured by land and building.

Note receivable, current	$4,529
Note receivable, noncurrent	32,979
Total note receivable	$37,508

(C) Investments

Investments are comprised of the following as of June 30, 2015:

Short-term:	
Cash and cash equivalents	$890,939
Equities	1,192,815
Investment company	49,653,876
Total short-term	$51,737,630
Long-term:	
Cash and cash equivalents	$21,243
Mutual and money market funds	669,479
Investment company	11,102,676
Total long-term	$11,793,398
Total investments	$63,531,028

(D) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2015 is presented as follows:

Depreciable capital assets:	
Buildings	$6,469,423
Furniture and equipment	426,982
Vehicles	42,760
Land improvements	500,994
Total depreciable capital assets, at cost	$7,440,159
Less accumulated depreciation	(2,327,140)
Total depreciable capital assets, net of accumulated depreciation	$5,113,019
Nondepreciable capital assets:	
Land	$1,524,351
Construction in progress	7,820
Collections of art	2,068,982
Total nondepreciable capital assets	$3,601,153
Total capital assets, net of accumulated depreciation	$8,714,172

(E) Line of Credit

The following is a summary of the outstanding line of credit at June 30, 2015:

Line of credit agreement renewed March 27, 2015 with a principal amount up to $1,500,000 and interest payable monthly at LIBOR plus 1.61 percent (1.79 percent at June 30, 2015). Outstanding principal is due at maturity on May 30, 2016. The line of credit is secured by real estate and substantially all accounts held by Radford University Foundation, Inc. with the financial institution.	$400,000

(F) Long-Term Debt

The following is a summary of the outstanding notes payable at June 30, 2015:

Note payable in monthly installments of $10,439 through May 2020 with interest payable at LIBOR plus 1.48 percent (1.67 percent at June 30, 2015), outstanding principal due upon maturity, unsecured	$590,695
Note payable in monthly installments of $17,532 through July 2018, with interest payable at 2.01 percent, unsecured	628,968
Total long-term debt	$1,219,663

Future principal payments on notes payable for years ending June 30 are as follows:

2016	$315,593
2017	321,716
2018	327,906
2019	140,581
2020	113,867
Total long-term debt	$1,219,663

(G) Subsequent Events

The line of credit, which had a balance of $400,000 at June 30, 2015, was paid off July 7, 2015.

On June 16, 2015 the Executive Committee of the Foundation approved the investment of up to $2.5 million in the Harvest Intrexon Limited Partnership to be funded over a three to five year period. On September 2, 2015, the Foundation disbursed $125,000 as part of the first call for this investment.

On September 17, 2013 the Board of Directors of the Foundation agreed to provide a non-interest loan of $300,000 to Radford Child Development (RCD) if certain requirements and conditions were met. On October 23, 2015 the Executive Committee of the Foundation determined that RCD was in compliance with the first set of requirements and conditions and agreed to issue $150,000 to RCD prior to October 31, 2015. The remaining $150,000 is expected to be disbursed by January 1, 2016 upon completion of the remaining requirements and conditions to the satisfaction and approval of the Board of Directors of the Foundation.

Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan
*For the Year Ended June 30, 2015**

	2015
Employer's proportion of the net pension liability	1.005%
Employer's proportionate share of the net pension liability	$56,267,000
Employer's covered-employee payroll	$38,332,872
Employer's proportionate share of the net pension liability as a percentage of covered-employee payroll	146.79%
Plan fiduciary net position as a percentage of the total pension liability	74.28%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other 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's Share of Net Pension Liability
VaLORS Retirement Plan
*For the Year Ended June 30, 2015**

	2015
Employer's proportion of the net pension liabilty	0.261%
Employer's proportionate share of the net pension liabilty	$1,761,000
Employer's covered-employee payroll	$918,334
Employer's proportionate share of the net pension liabilty as a percentage of covered-employee payroll	191.76%
Plan fiduciary net position as a percentage of the total pension liability	63.05%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other 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 Year Ended June 30, 2015

Plan	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered employee payroll	Contributions as a percentage of covered employee payroll
VRS State employee	$ 4,978,145	$ 5,023,564	$ (45,419)	$ 40,612,813	12.37%
VaLORS employee	$ 173,054	$ 173,054	$ -	$ 982,575	17.61%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Changes of benefit terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions

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

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

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

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

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 18, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Board of Visitors
Radford University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Radford University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component unit of the University, which is discussed in Notes 1 and 20. Those financial statements were audited by another auditor whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based on the report of the other auditor.

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component unit of Radford University as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 2 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71, related to pension accounting and financial reporting for employers. Our opinion is not modified with respect to this matter.

Correction of 2014 Financial Statements

As discussed in Note 2 of the financial statements, the fiscal year 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Schedule of Employer's Share of Net Pension Liability on pages 50 through 51, the Schedule of Employer Contributions on page 52, and the Notes to Required Supplementary Information on page 53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2016, on our consideration of Radford University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

JMR/alh

RADFORD UNIVERSITY

Radford, Virginia