NORFOLK STATE UNIVERSITY®

2014-2015 Financial Statements

NORFOLK STATE UNIVERSITY

TABLE OF CONTENTS

NORFOLK STATE UNIVERSITY

Vice President for Finance and Administration
700 Park Avenue, Suite 310, Norfolk, Virginia 23504
Tel: (757) 823-8011 Fax: (757) 823-8048
Web: www.nsu.edu

October 8, 2015

Mr. Eddie N. Moore, Jr., Interim President/CEO and the Board of Visitors
Norfolk State University
700 Park Avenue
Norfolk, VA 23504

The official Financial Statements of Norfolk State University (NSU) for the fiscal year ended June 30, 2015 are hereby submitted. The statements include an accompanying statement of net position, statement of revenues, expenses, changes in net position and statement of cash flows, along with accompanying notes and schedules.

These financial statements were prepared in conformity with Generally Accepted Accounting Principles and represent a comprehensive record of the financial position of NSU operations for the fiscal year ended June 30, 2015.

Responsibility for both the accuracy and the completeness of the data and the fairness of presentation, including disclosures is the responsibility of University management. University management assumes full responsibility and to the best of our knowledge and belief asserts that the information is accurate in all material aspects. To provide a reasonable basis for making these representations, University management has established balanced internal controls designed to protect the University's assets from loss, theft and misuse and established an accounting system to compile sufficient reliable information for the preparation of the University's statements.

The Commonwealth of Virginia Auditor of Public Accounts audited and rendered an opinion on the University's financial statements on pages 59-61 and issued a report on internal control titled "Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters", dated October 8, 2015.

The Governmental Accounting Standard Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter, the Management's Discussion and Analysis section and the Auditor of Public Accounts' report should all be read in conjunction to gain enhanced understanding of the University's basic financial statements and required supplementary information.

The preparation of the financial statements is a collaborative effort of many staff. All of the staff in the Division of Finance and Administration are to be commended for their efforts in maintaining the fiscal integrity and financial information of the University throughout the year and they are especially recognized and appreciated for the preparation and presentation of the financial statements.

Sincerely,

Gerald E. Hunter

Gerald E. Hunter
Vice President
Finance and Administration

Overview

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Norfolk State University's (University) financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2015. Note that although the University's foundations identified as component units under GASB Statement No.14, as amended by GASB Statement No. 39 and 61 are reported in the financial statements, they are excluded from this MD&A, except where specifically noted. Comparative numbers, where presented, are for the fiscal year ended June 30, 2014. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, notes to the financial statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The three basic financial statements are the Statement of Net Position (balance sheet), the Statement of Revenues, Expenses, and Changes in Net Position (operating statement), and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

Statement of Net Position

The Statement of Net Position presents the University's assets, liabilities, deferred inflows and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a fiscal snapshot at June 30, 2015. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net Position is divided into three major categories. The first category, net investment in capital assets, represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The next category is restricted which is divided into two categories in the financial statements, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the permanent endowment fund and is only available for investment purposes. As of June 30, 2015, the University does not have any permanent endowments. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the donors and/or external entities that have placed time or purpose restrictions on the use of the asset. Unrestricted net position is available to the University for any lawful purpose of the University.

Effective fiscal year 2015, the GASB issued Statement 68*, Accounting and Financial Reporting for Pensions,* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* an amendment of GASB Statement 68. These reporting changes require the University to record its portion of the pension liabilities and expenses from the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan. Prior to the implementation of GASB 68, VRS did not measure assets and pension benefit obligations separately for individual state institutions. Therefore, for the purpose of the MD&A, fiscal year 2014 comparative numbers have not been restated. As of result of this change in reporting, the University has recorded its proportionate share of the net pension liability, pension expense, deferred outflows and deferred inflows in the financial statements presented within. Footnote 1 to the financial statements includes the summary of significant accounting policies for pensions. Footnote 11 and the required supplementary information discloses information on the pension plans available to all full-time, salaried permanent employees of Norfolk State University, along with detail on pension liability and pension expense, and pension contributions by the University.

Condensed Summary of Net Position
(amounts in thousands)

	As of June 30,		Increase/(Decrease)	
	2015	2014	Amount	Percent
Assets:				
Current	$ 31,449	$ 37,610	$ (6,161)	-16%
Capital, net of accumulated depreciation	235,373	227,036	8,337	4%
Other non-current	9,804	14,549	(4,745)	-33%
Total assets	276,626	279,195	(2,569)	-1%
Deferred outflows	4,576	-	4,576	100%
Total assets and deferred outflows	$ 281,202	$ 279,195	$ 2,007	1%
Liabilities:				
Current	22,556	22,320	236	1%
Non-current	94,377	48,383	45,994	95%
Total liabilities	116,933	70,703	46,230	65%
Deferred inflows	10,220	61	10,159	16654%
Total liabilities and deferred inflows	127,153	70,764	56,389	80%
Net position:				
Net investment in capital assets	195,608	181,014	14,594	8%
Restricted	4,743	-	4,743	100%
Unrestricted	(46,302)	27,417	(73,719)	-269%
Total net position	$ 154,049	$ 208,431	$ (54,382)	-26%

Comments:

The University's financial position continues to remain strong at the end of the fiscal year 2015. The decrease in total assets is attributed to a decrease in current and non-current assets offset by an increase in capital assets. Current assets decreased by $6.2 million or 16% as a result of a decrease in cash, grants receivable, and auxiliary enterprises transactions. Capital assets increased by $8.3 million or 4% due to continued construction costs and the purchase of equipment for the new Nursing Building, which was open for occupancy in January 2015, and renovations to Brown Hall. Other non-current assets decreased by $4.7 million or 33% due to decrease in appropriations due from primary government as well as a reduction in restricted cash due to the extinguishment of the University's revenue bond debt obligations during the year. The University paid off debt outstanding for the Phyllis Wheatley and Rosa Alexander residence halls and the athletic stadium.

The increase of $4.6 million or 100% in deferred outflows is attributed to the implementation of the GASB 68/71. These deferred outflows are related to pensions and represents the fiscal year 2015 contribution made by the University after the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Current liabilities increased by $236 thousand or 1% as a result the decrease in current portion of the debt obligation due to the payoff of the revenue bond debt obligation offset by the increase in the current portion related to the net pension liability. Non-current liabilities increased by $46.0 million or 95% primarily due to the recording of the University's net pension liability non-current amount of $52.0 million per the implementation of GASB 68/71. The remaining decrease of $6 million was due to normal payment of debt.

The increase of $10.2 million or 16654% in deferred inflows is attributed to the implementation of the GASB 68/71. These deferred inflows are related to pensions and represents pension plan investments and contributions that will be recognized as pension expenses in future years. The pension expense recognition is shown in detail in footnote 11 of the notes to the financial statements.

The decrease in total net position is attributed to the increase in net investment in capital asset and restricted net position offset by the decrease in unrestricted net position. Net investment in capital assets increased by $14.6 million due to construction cost and equipment purchases netted against the decrease in outstanding debt related to capital assets. Restricted net position increased by $4.7 million primarily due to funding set aside for maintenance reverse projects. Due to the change reporting per GASB 68/71, unrestricted net position for fiscal year 2015 includes the University's net pension liability of $56.6 million, pension deferred outflows of $4.6 million and pension deferred inflows of $10.1 million.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total Net Position as presented on the Statement of Net Position are based on the activity as presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the University's operating and non-operating revenues recognized and expenses incurred and any other revenues, expenses, gains, and losses.

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

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

Other sources of revenue mainly consist of capital bond proceeds received from the 21ST Century Program that is managed by the Virginia College Building Authority (VCBA) for the construction of the Nursing Building and renovations of the Wilder Center and Brown Hall and maintenance reserve.

Condensed Summary Statement of Revenues, Expenses, and Changes in Net Position
(amounts in thousands)

	As of June 30,		Increase/(Decrease)	
	2015	**2014**	**Amount**	**Percent**
Operating revenues:				
Student tuition and fees, net of scholarship allowances of $11,741 and $10,418	$ 26,354	$ 27,012	$ (658)	-2%
Federal grants and contracts	13,937	16,246	(2,309)	-14%
State grants and contracts	559	335	224	67%
Nongovernmental grants and contracts	1,240	1,691	(451)	-27%
Public service	354	394	(40)	-10%
Auxiliary enterprises, net of scholarship allowances of $10,889 and $12,582	20,665	26,296	(5,631)	-21%
Other operating revenues	204	503	(299)	-59%
Total operating revenues	63,313	72,477	(9,164)	-13%
Operating expenses:				
Instructional	37,952	37,076	876	2%
Research	4,895	6,413	(1,518)	-24%
Public service	1,098	867	231	27%
Academic support	12,025	15,802	(3,777)	-24%
Student services	4,314	4,384	(70)	-2%
Institutional support	14,844	12,912	1,932	15%
Operation and maintenance - plant	15,612	13,543	2,069	15%
Depreciation expense	12,886	11,504	1,382	12%
Student Aid	17,398	20,697	(3,299)	-16%
Auxiliary activities	25,835	23,505	2,330	10%
Loss on disposal of assets	395	236	159	67%
Total operating expenses	147,254	146,939	315	0%
Operating loss	(83,941)	(74,462)	(9,479)	13%
Net non-operating revenues	64,235	65,249	(1,014)	-2%
Increase (decrease) before other revenues, expenses, gains or losses	(19,706)	(9,213)	(10,493)	114%
Net other revenues	28,382	37,770	(9,388)	-25%
Increase in net position	8,676	28,557	(19,881)	-70%
Net position - beginning of the year	145,373	179,874	(34,501)	-19%
Net position - end of year	$ 154,049	$ 208,431	$ (54,382)	-26%

Comments:

Operating revenues primarily consist of tuition and fees, auxiliary enterprises and revenues from grants and contracts. The 13% or $9.2 million decrease is mainly attributed to a decrease in grants and contracts and auxiliary enterprises. Operating expenses increase by $.3 million or 0%. Pension expense of $3.7 million related to the implementation of GASB 68/71 is reported as operating expense. The University's fiscal year 2015 VRS and VaLORS contributions of $4.5 million is credited against operating expenses and reported as deferred outflows on the Statement of Net Position. Net Non-Operating Revenues and Expenses decreased by $1 million or 2% mainly due to the decrease in Pell grants. Net Other Revenues decreased by $9.4 million or 25% due to the decrease of capital bond proceeds received from the 21ST Century Program that is managed by the Virginia College Building Authority (VCBA) for the construction of the Nursing Building, maintenance reserve projects and renovations of the Wilder Center and Brown Hall.

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the institution's cash activity during the year. Operating cash flows shows the net cash used by the operating activities of the University. Significant sources of cash include student tuition and fees ($26.8 million), grants and contracts ($16.4 million), and auxiliary enterprises receipts ($20.6 million). Major uses of cash include payments for salaries, wages, and fringe benefits ($80.9 million), payments for scholarships and fellowships ($17.4 million), payments for services and supplies ($32.0 million) and payments for utilities ($4.0 million).

The next section reflects the cash flows from non-capital financial activities and includes state appropriations for the University's educational and general programs and financial aid ($51.7 million) and Pell grants ($15.2 million). The cash flows from capital financing activities section reflect cash used for capital and related items. Primary sources of cash are proceeds from bond issues ($30.7 million) and proceeds from refunded bond issues ($9 million). Significant cash outflows include the purchase of capital assets ($22.6 million), repayment of principal on capital related debt ($15.3 million), and interest paid on capital debt ($2 million). Cash flows from investing activities include interest from investments. The final section of the cash flow statement reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenue, Expenses, and Changes in Net Position.

Summary Statement of Cash Flows
(amounts in thousands)

	As of June 30,		Increase/(Decrease)	
	2015	2014	Amount	Percent
Cash flows from operating activities	$ (73,010)	$ (67,131)	$ (5,879)	8.8%
Cash flows from noncapital financing activities	66,697	70,556	(3,859)	-5.5%
Cash flows from capital financing activities	1,534	(5,161)	6,695	-129.7%
Cash flows from investing activities	10	1	9	900.0%
Net change in cash	$ (4,769)	$ (1,735)	$ (3,034)	174.9%

Capital Asset and Debt Administration

Overall, capital assets, net of accumulated depreciation increased $51.7 million due to ongoing campus construction as indicated in Note 4. The University continues to maintain and upgrade current structures across campus and have completed $43 million of building and infrastructure improvement projects during fiscal year 2015. A significant portion of the capital projects completed was related to the Nursing Building which was placed in service and became available for occupancy in January 2015.

As calculated under the State Council of Higher Education in Virginia's formula, the University's 2015 debt service to expenditures ratio was 4.37%. This ratio measures the University's ability to satisfy its long-term debt as it becomes due.

Overall, unpaid construction and other related contractual commitments on capital projects increased from $2.21 million in 2014 to $6.0 million in 2015 due to the Brown Hall building project. Construction in progress totaled $19.6 million as of June 30, 2015.

Economic Outlook

As one of Virginia's comprehensive higher education institutions, the University's economic outlook is closely tied to the Commonwealth of Virginia (Commonwealth). Economic factors related to the Commonwealth can be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR). There is a direct correlation between the amount of state appropriations and establishment of tuition and fees. As such, tuition and fee rates are largely dependent upon ongoing financial support from the state government. State appropriations currently cover 47.02% of operating expenses, excluding auxiliary activities and depreciation.

The University's financial position remains strong with net position of $154.0 million for the 2015 fiscal year. Management continues to evaluate and review current policies and procedures in an effort to enhance operational efficiency and fiscal stability while providing excellent services to its students and constituents. Resources will continue to be closely monitored to ensure the University's ability to counter unknown internal and external issues.

NORFOLK STATE UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2015

	Norfolk State University	Component Units
Current assets:		
Cash and cash equivalents (Note 2)	$ 20,254,470	$ 1,684,709
Cash held for securities lending (Note 2)	692,437	-
Restricted cash and cash equivalents	-	504,395
Short-term investments (Note 2)	25,062	103,790
Accounts receivable, net of allowance for doubtful accounts of $ 558,179 (Note 3)	4,735,536	-
Contributions receivable, net of allowance for doubtful accounts of $14,201 (Note 3)	-	277,625
Due from the Commonwealth	4,680,090	-
Prepaid expenses	888,638	91,690
Notes receivable, net of allowance for doubtful accounts of $422,618	172,928	-
Other assets	-	1,477,308
Total current assets	31,449,161	4,139,517
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	2,207,465	3,010,158
Appropriation available/due from primary government	6,178,918	-
Investments	-	27,887,012
Contributions receivable, net of allowance for uncollectible contributions of $49,742	-	262,750
Notes receivable, net of allowance for doubtful accounts of $2,149,876	1,417,331	-
Nondepreciable capital assets (Note 4)	25,553,648	570,384
Depreciable capital assets, net (Note 4)	209,819,011	22,455,847
Total noncurrent assets	245,176,373	54,186,151
Total Assets	276,625,534	58,325,668
Deferred outflows (Note 11)	4,575,655	-
Total Assets and deferred inflows	$ 281,201,189	$ 58,325,668
Current liabilities:		
Accounts payable and accrued expenses (Note 5)	$ 8,457,741	$ 433,515
Unearned revenue	3,674,468	43,188
Obligations under securities lending	717,499	-
Deposits held in custody for others	1,541,368	-
Long-term liabilities - current portion (Note 6)	8,165,012	400,000
Total current liabilities	22,556,088	876,703
Noncurrent liabilities (Note 6)	94,376,688	31,917,595
Total Liabilities	116,932,776	32,794,298
Deferred inflows (Note 11)	10,219,497	-
Total Liabilities and deferred inflows	127,152,273	32,794,298
Net position:		
Net investment in capital assets	195,607,614	(7,888,769)
Restricted for:		
Nonexpendable	-	8,962,412
Expendable	4,743,287	17,670,625
Unrestricted	(46,301,985)	6,787,102
Total Net Position	$ 154,048,916	$ 25,531,370

The accompanying notes are an integral part of these financial statements.

NORFOLK STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE OF NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Norfolk State University	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $11,740,677	$ 26,354,021	$ -
Federal grants and contracts	13,936,758	-
State grants and contracts	559,044	-
Nongovernmental grants and contracts	1,239,746	-
Public service	353,710	-
Auxiliary enterprises, net of scholarship allowances of $10,888,671	20,665,533	-
Other operating revenues	204,443	4,884,162
Total operating revenues	63,313,255	4,884,162
Operating expenses:		
Instructional	37,951,673	-
Research	4,894,431	-
Public service	1,097,855	-
Academic support	12,024,946	-
Student services	4,314,402	-
Institutional support	14,844,249	3,916,674
Operation and maintenance - plant	15,612,301	1,400,843
Depreciation expense	12,885,649	1,227,406
Student Aid	17,397,700	521,829
Auxiliary activities	25,835,318	-
Loss of disposal of assets	395,443	-
Total operating expenses (Note 8)	147,253,967	7,066,752
Operating loss	(83,940,712)	(2,182,590)
Non-operating revenues:		
State appropriations (Note 9)	51,035,437	-
Investment income net of investment expense	9,826	218,997
Realized/unrealized gain on investments	-	450,980
Unrealized gain on interest rate swap	-	974,242
Interest on capital asset - related debt	(1,580,326)	-
Gifts	684,127	1,493,432
Pell grants	15,204,549	-
Other non-operating expenses	(1,118,431)	37,240
Net non-operating revenues	64,235,182	3,174,891
Increase (decrease) before other revenues, expenses, gains or losses	(19,705,530)	992,301
Capital bond proceeds	27,143,167	-
Capital gifts and grants	1,238,627	-
Contributions to permanently restricted endowments	-	275,895
Net other revenues	28,381,794	275,895
Increase in net position	8,676,264	1,268,196
Net position - beginning of the year (restated Note 16)	145,372,652	24,263,174
Net position - end of year	$ 154,048,916	$ 25,531,370

The accompanying notes are an integral part of these financial statements.

NORFOLK STATE UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Student tuition and fees	$ 26,780,501
Grants and contracts	16,353,988
Public service	353,710
Auxiliary enterprises	20,603,966
Other receipts	204,443
Payments to employees	(60,184,153)
Payments for fringe benefits	(20,704,007)
Payments for services and supplies	(32,036,961)
Payments for utilities	(3,989,316)
Payments scholarships and fellowships	(17,397,700)
Payments for non-capitalized plant improvements and equipment	(3,075,205)
Collections of loans from students	2,303,672
Loans issued to students	(2,223,071)
Net cash used in operating activities	(73,010,133)
Cash flows from non-capital financing activities:	
State appropriations	51,652,531
Gifts and grants for other than capital purposes	684,127
Direct lending receipts	47,972,221
Direct lending payments	(47,972,221)
Agency receipts	36,687,250
Agency payments	(36,413,507)
Pell grant receipts	15,204,549
Other non-operating expenses	(1,118,431)
Net cash provided by non-capital financing activities	66,696,519
Cash flows from capital financing activities:	
Capital gifts	1,238,626
Proceeds from bond issues	30,734,423
Proceeds from refunded bonds issues	9,006,963
Purchase of capital assets	(22,599,249)
Principal paid on capital debt, leases and installments	(15,267,708)
Interest paid on capital debt, leases and installments	(1,578,575)
Net cash provided by capital financing activities	1,534,480
Cash flows from investing activities:	
Interest on investments	9,826
Net cash provided by investing activities	9,826
Net decrease in cash and cash equivalents	(4,769,308)
Cash and cash equivalents - beginning of year	27,231,243
Cash and cash equivalents - end of year	$ 22,461,935

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USEB BY OPERATING ACTIVITIES:		
Operating loss	$	(83,940,712)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		12,885,649
Loss on disposal of assets		395,443
Pension expense		3,679,591
Change in assets, liabilities, and deferred outflows:		
Receivables, net		296,229
Notes receivable, net		80,601
Prepaid expenses		(490,101)
Accounts payable and accrued expenses		(1,751,681)
Unearned revenue		687,124
Accrued compensated absences		(276,621)
Deferred outflows		(4,575,655)
Net cash used in operating activities	$	(73,010,133)
Non-cash investing, capital and financing activities:		
Securities lending	$	692,437
Amortization of bond premium	$	272,485
Amortization of bond discount	$	(20,788)

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The Norfolk State University Foundation, Inc. and Subsidiary, the Athletics Foundation of Norfolk State University, Inc. and the Norfolk State University Research and Innovation Foundation and Affiliates meet criteria under GASB Statement No. 14, As amended by GASB Statements 39 and 61, qualifying them as component units of the University.

The Norfolk State University Foundation, Inc. and its wholly-owned subsidiary, Marshall Avenue Properties, Inc., is a legally separate, not-for-profit organization established to provide financial support to Norfolk State University.

The Athletics Foundation of Norfolk State University, Inc. is a legally separate, not-for-profit charitable organization governed by a local Board of Directors dedicated to raising funds for the benefit, scholarship, and educational needs of students attending and participating in athletic programs at Norfolk State University.

The Norfolk State University Research and Innovation Foundation and Affiliates (formerly Enterprise and Empowerment Foundation of Norfolk State University and Affiliates) is a legally separate, not-for-profit charitable organization governed by a Board of Directors dedicated to raising funds for a development called the Marie V. McDemmond Center for Applied Research. The development is organized around a public private partnership and is designed to create a digital village that acts as a hub for the Hampton Roads region's technology-led economic development agenda.

Complete financial statements for the component units can be obtained by writing the Assistant Vice President for Advancement/Fiscal Officer for Foundations, Norfolk State University Foundation, c/o University Advancement, 700 Park Avenue, Suite 410, Norfolk, Virginia, 23504.

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

During the year ended June 30, 2015, the Norfolk State University Foundation, Inc. and the Athletics Foundation of Norfolk State, Inc. made distributions of $425,220 and $258,907, respectively, to or on behalf of the University for both restricted and unrestricted purposes.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Norfolk State University prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. As a public institution, the University adheres to standards promulgated by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government* and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The University follows Statement 34 and 35 requirements for "reporting by special purpose governments engaged only in business-type activities." The financial statement presentation provides a comprehensive entity-wide look at the University's financial activities and replaces the fund-group perspective previously reported.

In June 2011, the GASB issued Statement 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net position,* effective for the University's fiscal year ended June 30, 2013. This statement modifies the presentation of deferred inflows and deferred out-flows in the financial statements and establishes the concept of net position.

In March 2012, the GASB issued Statement 65*, Items Previously Reported as Assets and Liabilities,* effective for the University's fiscal year beginning July 1, 2013. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

In June 2012, the GASB issued Statement 68*, Accounting and Financial Reporting for Pensions,* effective for the University's fiscal year beginning July 1, 2014. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement improves the reporting of pension liabilities and expenses, resulting in a more faithful representation of the full impact of pension obligation. The new note disclosures and required supplementary information will provide a better explanation of how and why the net pension liability changes from year to year. It will improve consistency and transparency of the information reported about pension transactions, as well as, the improvement of the comparability of reported pension information. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan. 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.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In November 2013, the GASB issued Statement 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date,* an amendment of GASB Statement 68*.* The provisions of this Statement was required to be applied simultaneously with the provisions of Statement 68; and therefore, effective for the University's fiscal year beginning July 1, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 for the University.

The foundations are private, non-profit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. Reclassifications have been made to convert the foundations' financial information to GASB format. The foundation statements and subsequent notes comply with the GASB presentation format.

C. Basis of Accounting

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 a liability is incurred, regardless of the timing of related cash flows. Bond premiums and discounts are deferred and amortized over the life of the debt. All significant intra-agency transactions have been eliminated.

The University's accounting policies conform with generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements.

D. Cash and Cash Equivalents

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

E. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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 non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

F. Prepaid Expenses

As of June 30, 2015, the University's prepaid expenses included items such as, advertising, and publication subscriptions, which include initial and renewal annual subscriptions for technical and professional publications. The University recognizes prepaids when purchased and expensed when used.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

H. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, intangible assets, and computer network cabling systems. The University generally defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost except for land acquired prior to 1979, which is valued at appraisal value. Library materials are valued using published average prices for library acquisitions. Donated capital assets are recorded at the estimated fair market value at the date of contribution. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. The University holds a number of patents which were obtained with the sole intent of earning revenue in the future. As such, they do not meet the capitalization criteria of an intangible asset set out in GASB 51 and are not included in Capital Assets. The University also includes any software development projects in excess of $100,000 as an intangible asset capitalizable under GASB 51. Any software purchased prior to July 1, 2009 was modified to the extent that it became internally generated software and is not required to be retroactively capitalized under GASB 51. The University has chosen not to retroactively capitalize internally generated software. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. The University has reviewed its capital assets for impairment using criteria set forth in GASB 42, *Impairment of Capital Assets*, and has no impaired assets at year end.

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 - 30 years
Other improvements and infrastructure - 8 to 25 years
Equipment - 4 to 25 years
Library materials - 5 years
Intangible assets - 3 to 5 years

The University's art collections are held for public exhibition, education, and research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to University policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection. Since these conditions exist and historical cost data for the collections are not available; in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Non-current Cash and Investments

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

J. Unearned Revenue

Unearned revenue represents monies received, but not earned as of June 30, 2015. This primarily includes amounts received for tuition and fees and certain auxiliary activities in advance of the academic term as well as advance payments on grants and contracts that have not been spent or earned before the end of the fiscal year.

K. Accrued Compensated Absences

The amount of leave earned, but not taken by non-faculty salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

L. Non-current Liabilities

Non-current liabilities include principal amounts of bonds payable and notes payable with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

M. Federal Financial Assistance Programs

The University participates in federally-funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, 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.

N. Deferred Outflows of Resources

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

O. Deferred Inflows of Resources

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

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position

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

Net investment in Capital Assets – component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Net Position:

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

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

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

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

Q. Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9 and GASB Statement 34, such as state appropriations and investment and interest income.

Non-operating expenses include interest on debt related to the purchase of capital assets and state appropriation reversions. All other expenses are classified as operating expenses.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenue, 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 that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating 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—CASH AND CASH EQUIVALENTS AND INVESTMENTS

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. Certain deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Cash equivalents are defined as investments with original maturities of three months or less.

Cash equivalents also include the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the federal Security and Exchange Commission.

Deposits with banks are covered by the FDIC and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks and saving institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

A. Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board's Audit and Finance Committee. Authorized investments are set forth in the Investment of Public Funds Act of the Code of Virginia, Sections 2.2-4500 through 2.2-4516. Authorized investments include Certificates of Deposit, Commercial Paper, Bankers Acceptances, Repurchase Agreements, Agency Notes and Bonds, Treasury Bills, and Mutual Funds. The University's investments are in investment pools held by the Treasurer of Virginia and are not categorized as to levels of risk. Investments fall into two groups: short and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year.

GASB Statement 40, *Deposit and Investment Risk Disclosures,* requires the following risk disclosures:

Concentration of Credit Risk – Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents 5% or more of total investments. As of June 30, 2015, none of the University's investments involve concentration of credit risk.

Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

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

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have investments in foreign currency.

B. Securities Lending Transactions

Securities lending transactions represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the Statement of Net Position, are non-categorized as to credit risk. 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. Details of the General Account securities lending program are included in the Commonwealth's *Comprehensive Annual Financial Report*.

C. Credit and Concentration of Credit Risks

	Fair Value	0-3 months	Credit Rating
Cash equivalents:			
Repurchase agreements	$ 4,172,034	$ 4,172,034	A-1
Money market funds	854,251	854,251	A-1
SNAP	1,845,704	1,845,704	AAAm
Securities lending	692,437	692,437	Unrated
Investments:			
Securities lending	25,062	25,062	Unrated
Totals	$ 7,589,488	$ 7,589,488	

Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The Norfolk State University Foundation's investments are managed by external investment managers in compliance with investments guidelines established by the Board of Directors. Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of cash, investments, and promises to give receivable. The Foundation places unrestricted cash and temporary overnight investments with high credit quality financial institutions. At times the balances may exceed the FDIC insurable limit. Promises to give – net include one promise that is approximately 56% of gross balance.

As of December 31, 2014, the Norfolk State University Foundation held the following investments:

Investments:	Total Fair Value
Commonfund - multi strategy equity fund	$ 15,891,577
Commonfund - multi strategy bond fund	10,234,150
Securities and money market funds	1,437,541
Commonfund - Capital Partner IV	224,830
Exchange traded funds	18,905
Other	80,009
Total	$ 27,887,012

Note 3—ACCOUNTS RECEIVABLE

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

Student tuition and fees	$ 1,810,457
Federal, state and nongovernmental grants and contracts	3,262,357
Other receivables	220,901
Gross receivables	5,293,715
Less: Allowance for doubtful accounts	(558,179)
Net accounts receivable	$ 4,735,536

Accounts Receivable-Component Units

Included in accounts receivable for component units are amounts due from grants and from the University. The component units are Research and Innovation Foundation and Affiliates, Athletics, and the Norfolk State University Foundations. These receivables are considered fully collectible by management.

Contributions Receivable – Component Units

Pledges receivable represent pledges made by individuals, corporations, and organizations for various purposes. The following details the timing of expected receipts on pledges receivable at December 31 for Norfolk State University Foundation and June 30 for Research and Innovation Foundation and Affiliates, Athletics Foundation:

	NSU Foundation Inc.	The Athletics Foundation of Norfolk State University, Inc.	University Research and Innovation Foundation and Affiliates	Total
Contributions currently due	$ 110,560	$ 4,560	$ 65,050	$ 180,170
Contributions due in one to five years	158,240	-	-	158,240
Contributions due in more than five years	165,908	-	-	165,908
Grants receivable	100,000			100,000
Gross receivables	534,708	4,560	65,050	604,318
Less - time value discount	(49,742)	-	-	(49,742)
Less - allowance for uncollectible accounts	(11,656)	-	(2,545)	(14,201)
Total contributions receivable	$ 473,310	$ 4,560	$ 62,505	$ 540,375

Note 4—CAPITAL ASSETS

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

	Beginning Balance July 1, 2014	Additions	Deletions	Ending Balance June 30, 2015
Nondepreciable capital assets:				
Land	$ 5,941,099	$ -	$ -	$ 5,941,099
Construction in progress	47,761,795	14,888,036	43,037,282	19,612,549
Total nondepreciable capital assets	53,702,894	14,888,036	43,037,282	25,553,648
Depreciable capital assets:				
Buildings	276,467,304	37,135,658	-	313,602,962
Infrastructure	7,525,762	2,345,599	-	9,871,361
Equipment	35,145,580	5,961,836	622,645	40,484,771
Other improvements	60,823	4,152,124	-	4,212,947
Software	1,240,909	8,500	-	1,249,409
Library materials	8,864,707	163,512	1,353,483	7,674,736
Total depreciable capital assets	329,305,085	49,767,229	1,976,128	377,096,186
Less accumulated depreciation for:				
Buildings	120,498,519	9,210,312	-	129,708,831
Infrastructure	5,404,010	225,330	-	5,629,340
Equipment	20,763,146	2,997,168	227,202	23,533,112
Other improvements	53,128	88,713	-	141,841
Software	632,198	249,435	-	881,633
Library materials	8,621,210	114,691	1,353,483	7,382,418
Total accumulated depreciation	155,972,211	12,885,649	1,580,685	167,277,175
Depreciable capital assets, net	173,332,874	36,881,580	395,443	209,819,011
Total capital assets, net	$ 227,035,768	$ 51,769,616	$ 43,432,725	$ 235,372,659

Note 4—CAPITAL ASSETS (CONTINUED)

Capital Assets – Component Units

	NSU Foundation Inc.	The Athletics Foundation of Norfolk State University, Inc.	NSU Research and Innovation Foundation and Affiliates	Total
Nondepreciable capital assets:				
Land	$ 24,310	$ -	$ -	$ 24,310
Development costs	-	-	546,074	546,074
Total nondepreciable capital assets	24,310	-	546,074	570,384
Depreciable capital assets:				
Buildings	-	-	28,137,869	28,137,869
Equipment	871,912	104,755	3,492,188	4,468,855
Total depreciable capital assets	871,912	104,755	31,630,057	32,606,724
Less accumulated depreciation	(632,041)	(37,902)	(9,480,934)	(10,150,877)
Total depreciable capital assets, net	239,871	66,853	22,149,123	22,455,847
Total capital assets, net	$ 264,181	$ 66,853	$ 22,695,197	$ 23,026,231

Note 5—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Vendors and suppliers accounts payable	$ 2,905,226
Employee salaries, wages, and fringe benefits payable	4,175,587
Accrued interest payable	535,337
Retainage payable	789,720
Spartan Suites rent and scholarships	51,871
Total accounts payable and accrued liabilities	$ 8,457,741

Note 6—NON-CURRENT LIABILITIES

The University, Norfolk State University Research and Innovation Foundation and Affiliates and Norfolk State University Foundation, Inc.'s non-current liabilities consist of long-term debt (further described in Note 7) and other non-current liabilities. A summary of changes in non-current liabilities for the year ended June 30, 2015, is presented as follows:

University	Beginning Balance (1)	Additions	Deletions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable 9c and 9d	$ 3,718,220	$ -	$ 3,718,220	$ -	$ -
Notes payable	34,772,066	9,070,000	10,100,378	33,741,688	1,305,885
Installment purchases	7,495,472	-	1,214,073	6,281,399	1,258,695
Unamortized bond discount	(103,940)	(63,037)	(20,788)	(146,189)	(22,926)
Unamortized bond premium	1,926,838	-	272,485	1,654,353	125,219
Total long-term debt	47,808,656	9,006,963	15,284,368	41,531,251	2,666,873
Accrued compensated absences	3,162,143	1,315,973	1,592,594	2,885,522	922,484
Federal loan capital contributions	1,526,927	-	-	1,526,927	-
Net pension liability	63,058,409	3,679,591	10,140,000	56,598,000	4,575,655
Total long-term liabilities	$115,556,135	$14,002,527	$27,016,962	$ 102,541,700	$ 8,165,012

Note (1) Beginning balance of long term liabilities was restated due to the implementation of GASB 68, Accounting and Financial Reporting for Pensions.

Research and Innovation Foundation and Affiliates	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	$ 31,235,000	$ -	$ 320,000	$ 30,915,000	$ 400,000
Notes payable	174,298	-	174,298	-	-
Total long-term debt	31,409,298	-	494,298	30,915,000	400,000
Derivative - interest rate swap	2,209,505	-	974,242	1,235,263	-
Total long-term liabilities	$ 33,618,803	$ -	$ 1,468,540	$ 32,150,263	$ 400,000

Norfolk State University Foundation, Inc. and Subsidiary	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Long-term liabilities:					
Split-interest agreement	$ 182,321	$ -	$ 14,989	$ 167,332	$ -
Total long-term liabilities	$ 182,321	$ -	$ 14,989	$ 167,332	$ -

Note 7—LONG-TERM DEBT

Norfolk State University has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9 (d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth, legally, morally, or otherwise. Pledged general fund revenues include general fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University issued the 9(d) bond directly through underwriters and also participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) also 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 also secures these notes.

The Virginia College Building Authority (VCBA) issued 9(d) VCBA pooled bonds in previous fiscal years to refund prior issuances, the proceeds of which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The notes representing that other debt are therefore considered defeased. Accordingly, the trust account's assets and liabilities for the defeased notes are not included in the University's financial statements. On June 30, 2012, $8,956,000 of Notes from Series 2004A bonds were considered defeased. As of June 30, 2015, $7,865,000 remains outstanding from the Series 2004A bonds.

On July 1, 2014, the University defeased two debt obligations that were close to maturity, Phyllis Wheatley and Rosa Alexander dormitories (Series 1982) and the Dick Price Stadium athletic facility (Series 1996). The University used funds that were held in reserves by the State Treasury to extinguish the remaining debt of $1.2 million for the dormitories and $2.6 million for the stadium. The bonds were called on July 1, 2014.

On October 22, 2014 the VCBA sold 186,035,000 Educational Facilities Revenue Refunding Bonds (Public Higher Educational Financing Program) Series 2014B with interest rates ranging from 3.0% to 3.25%. The sale of these bonds enabled the University to advance refund $8,845,000 of debt outstanding on the Series 2004A bond issues, which had interest rates ranging from 4.62% to 4.750%. The net proceeds were placed with an escrow agent to provide for all future debt service payment on refunded bonds. As a result, the bonds are considered to be defeased and the liability associated with these bonds has been removed from the long-term liabilities. The defeasance reduced total debt service payments over the next twenty-two years by $2,320,068, resulting a net present value savings of $1,946,453 based on a present value rate of 2.18%. The 2014B Series VCBA Educational Revenue Bonds were issued at a discount of $63,037 below the face value of the bonds.

Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on the behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

The University entered into a deed of bargain and sale with the City of Norfolk for the acquisition of the Brambleton Center. The note is payable in six full scholarships each year varying from $4,953 to $6,341 with the final amount due in 2019.

At June 30, 2015, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance the acquisition of equipment. The lengths of the purchase agreements are for five years and the interest rates charged are from 1.207% to 4.500%.

Note 7—LONG-TERM DEBT (CONTINUED)

	Interest Rates (%)	Maturity	Balance at June 30, 2015
Notes payable:			
Brambleton Center, series 1998		2019	106,688
Student Center 2010A & 2010B	3.75 - 5.50	2030	16,700,000
Student Center 2012A refunding 2004A	2.75 - 5.00	2035	7,865,000
Student Center 2014B refunding 2004A	3.00 - 3.25	2035	9,070,000
Total notes payable			33,741,688
Less: unamortized bond discount			(146,189)
Add: unamortized bond premium			1,654,353
Net notes payable			35,249,852
Installments payable:			
Master equipment lease program	1.207 - 1.175	2014 - 2019	588,464
Energy lease project	3.739 - 4.500	2016 - 2021	5,692,935
Net installments payable			6,281,399
Total			$ 41,531,251

Long-term debt matures as follows:

Year ending:	Principal	Interest
2016	2,564,580	1,625,891
2017	2,511,439	1,514,684
2018	2,444,449	1,408,963
2019	2,532,131	1,302,096
2020	2,475,450	1,196,440
2021-2025	9,525,038	4,600,392
2026-2030	9,645,000	2,597,931
2031-2035	7,070,000	694,431
2036	1,255,000	20,394
Unamortized Premium	1,654,353	-
Unamortized Discount	(146,189)	-
Total	$ 41,531,251	$ 14,961,222

Note 7—LONG-TERM DEBT (CONTINUED)

Norfolk State University Research and Innovation Foundation and Affiliates Debt

In February 2005, the Norfolk State University Research and Innovation Foundation and Affiliates Debt entered into an agreement to finance the construction of a 620-bed student housing facility. The terms of the agreement obligate the Foundation pursuant to $32,000,000 Tax-Exempt Variable Rate Demand Qualified 501(c)(3) Bonds Series 2005. The terms of the indenture call for varying annual maturities through July 1, 2034, with a variable interest rate determined based on the flexible weekly rate as determined by the remarketing agent; principal payments are due semiannually starting July 1, 2008. The terms of the agreement require a debt service coverage ratio of at least 1.2:1 beginning July 1, 2006. The interest rate was .52% at June 30, 2015. The balance due on this loan as of June 30, 2015 was $30,915,000.

Notes payable to bank, interest at LIBOR plus 1.5% due monthly, principal payments to be escrowed by the Foundation beginning July 1, 2008 through July 1, 2015, secured by property and equipment. The interest rate was 2.27% at June 30, 2015. The balance as of June 30, 2015 was $0.

As of June 30, 2015, the Norfolk State University Research and Innovation Foundation and Affiliates bonds mature as follows:

Future principal payments are as follows:

2016	400,000
2017	480,000
2018	570,000
2019	660,000
2020	760,000
2021-2025	5,600,000
2026-2030	9,450,000
2031-2035	12,995,000
Total	$ 30,915,000

The bonds payable bear interest at a variable interest rate based on the flexible weekly rate as determined by the remarketing agent. To minimize the effect of changes in the variable rate, the Foundation entered an interest rate swap contract with a notional amount of $32,000,000 with a term of 29 years. The contract pays interest at a fixed 3.733% rate and receives interest at 67% of LIBOR. The net interest gain of $974,242 from changes in the swap contract's fair value during the fiscal year is included as unrealized gain on interest swap in the Statement of Revenues, Expenses and Changes in Net Position. The contract includes a provision for three optional early termination periods between January 2016 and January 2018. The balance as of June 30, 2015 was $1,235,263.

In conjunction with the bond issuance, the University signed a support agreement with the Norfolk State University Research and Innovation Foundation and Affiliates stating that the project will be an equal part of the Student Housing Program, provide preferential treatment to provide 95% occupancy if the debt service coverage ratio is less than 1.2 to 1, and limit additional housing projects.

Note 8—EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries and Wages	Fringe Benefits	Services and Supplies	Scholarship and Fellowship	Utilities	Plant and Equipment	Depreciation	Total
Instruction	$ 25,437,689	$ 7,773,906	$ 3,564,003	$ -	$ -	$ 1,176,075	$ -	$ 37,951,673
Research	2,121,994	260,499	2,621,620	-	-	(109,682)	-	4,894,431
Public service	438,342	112,667	537,363	-	-	9,483	-	1,097,855
Academic support	8,767,279	2,759,820	(634,413)	-	-	1,132,260	-	12,024,946
Student services	2,408,955	954,278	942,938	-	-	8,231	-	4,314,402
Institutional support	10,004,219	3,739,581	401,174	-	-	699,275	-	14,844,249
Operations and maintence-plant	3,886,066	1,932,015	8,218,666	-	2,230,316	(654,762)	-	15,612,301
Depreciation expense	-	-	-	-	-	-	12,885,649	12,885,649
Loss on disposal of assets	-	-	-	-	-	395,443	-	395,443
Scholarship and fellowship	-	-	-	17,397,700	-	-	-	17,397,700
Auxiliary activities	6,638,612	2,275,177	14,494,517	-	1,759,000	668,012	-	25,835,318
Total operating expenses	$ 59,703,156	$ 19,807,943	$ 30,145,868	$ 17,397,700	$ 3,989,316	$ 3,324,335	$ 12,885,649	$ 147,253,967

Note 9—STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements. The following is a summary of education and general state appropriations received by the University including all supplemental appropriations and reversions:

Original legislative appropriation:	
Educational and general programs	$ 41,800,286
Student financial assistance	8,219,664
Adjustments:	
VIVA ILL allocation	3,961
Clinical faculty grant	42,620
Virginia military survivors and dependents	95,625
Two year college transfer grant	5,000
Brown vs. Board of Education	3,255
Personnel cost	817,454
App Tr HEOF to GF	944
Miscellanous educational and general	46,628
Adjusted appropriation	$ 51,035,437

Note 10—COMMITMENTS

At June 30, 2015, the University was committed to construction contracts totaling approximately $24,159,806. Outstanding commitments on these contracts totaled $5,967,814 as of June 30, 2015.

The University is committed under various operating leases for equipment and facilities. In general, the leases are for a one-year term and the University has renewal options on equipment and facilities for another one-year term. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense for the fiscal year ended June 30, 2015, was $1,032,040.

The City of Newport News lease contains an escalation clause, which allows for a base rent adjustment every two years. The percentage increase is equal to one-half of the percentage increase of the consumer price index for the corresponding period.

Norfolk State University has as of June 30, 2015, the following total future minimum rental payments due under the above leases:

Year	Operating Lease Obligation
2016	$ 804,605
2017	730,284
2018	755,742
2019	463,776
2020	473,524
Total	$ 3,227,931

Note 11—RETIREMENT PLANS

Virginia Retirement System - General Information about the Pension Plan

Plan Description

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

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

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

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

		• 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 had 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-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.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

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.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

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 Contributions 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.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.0%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

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

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

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:** 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 Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 11—RETIREMENT PLANS (CONTINUED)

Plan Description

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%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.
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.	**Eligibility:** Same as Plan 1	**Eligibility:** Same as Plan 1 and Plan 2.
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.	**Exceptions to COLA Effective Dates:** Same as Plan 1	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

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 on-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Note 11—RETIREMENT PLANS (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 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 employee 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 Norfolk State University to the VRS State Employee Retirement Plan were $4,405,042 and $3,311,079 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions from the University to the VaLORS Retirement Plan were $170,613 and $139,512 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, Norfolk State University reported a liability of $54,796,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,802,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. 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 .98% as compared to .98% at June 30, 2013. At June 30, 2014, the University's proportion of the VaLORS Retirement Plan .27% as compared to .27% at June 30, 2013.

For the year ended June 30, 2015, Norfolk State University recognized pension expense of $3,571,079 for the VRS State Employee Retirement Plan and $108,512 for the VaLORS Retirement Plan. 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, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 11—RETIREMENT PLANS (CONTINUED)

VRS Retirement Plan ($ thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 9,780
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	135
Employer contributions subsequent to the measurement date	4,405,042	-
Total	$ 4,405,042	$ 9,915

VaLORS Retirement Plan ($ thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 187
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	38
Employer contributions subsequent to the measurement date	170,613	-
Total	$ 170,613	$ 225

Note 11—RETIREMENT PLANS (CONTINUED)

Norfolk State University has $4,405,042 for VRS and $170,613 for VaLORS reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30
($ thousands)

	VRS Retirement Plan		VaLORS Retirement Plan	
2016	$	2,492	$	61
2017	$	2,492	$	61
2018	$	2,486	$	57
2019	$	2,445	$	46

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 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, 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.

Note 11—RETIREMENT PLANS (CONTINUED)

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 percent
Salary increases, including Inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, 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.

Note 11—RETIREMENT PLANS (CONTINUED)

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 (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2014, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	$ 21,766,933	$ 1,824,577
Plan Fiduciary Net Position	16,168,535	1,150,450
Employers' Net Pension Liability (Asset)	$ 5,598,398	$ 674,127
Plan Fiduciary Net Position as a Percentage of the 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 Commonwealth's) notes to the Comprehensive Annual Financial Report (CAFR) 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:

Note 11—RETIREMENT PLANS (CONTINUED)

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

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

Discount Rate

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

Note 11—RETIREMENT PLANS (CONTINUED)

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

The following presents Norfolk State University's (amounts expressed in thousands) 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%)
Norfolk State University proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 80,271	$ 54,796	$ 33,435

The following presents Norfolk State University's (amounts expressed in thousands) 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%)
Norfolk State University proportionate share of the VaLORS VaLORS Retirement Plan Net Pension Liability	$ 2,463	$ 1,802	$ 1,260

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.

Note 11—RETIREMENT PLANS (CONTINUED)

Optional Retirement Plans

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by the Code of Virginia rather than the VRS retirement plans. These optional retirement plans are defined contributions plans offered through Teachers Insurance and Annuity Association – college Retirement Equities Fund (TIAA-CREF), and Fidelity Investments Tax-Exempt Services Company. There are two defined contributions plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent not to exceed 8.9 percent contribution and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2015 were 8.5 percent. Vesting is full and immediate for both employer and employee contributions. For fiscal year 2015, total pension expense recognized was $1,329,510. For fiscal year 2015, contributions were calculated using the base salary amount of $13,557,981.

Deferred Compensation Plan

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue code Sections 403(b). Under either plan, the institution's cash match under the Internal Revenue code Sections 401(a) during fiscal year 2015 was a maximum match up to $20 per pay period or $40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately $194,837 for fiscal year 2015.

Note 12—POSTEMPLOYMENT BENEFITS

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

Note 13—CONTINGENCIES

Grants and Contracts

The University has received grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2015, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University has been named a defendant in a number of grievances and lawsuits. The final outcome of these grievances and lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University may be exposed will not have a material effect upon the University's financial position.

Note 14—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 of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's *Comprehensive Annual Financial Report*.

Note 15—COMPONENT UNITS

	NSU Foundation Inc. as of December 31, 2014	The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2015	University Research and Innovation Foundation and Affiliates as of June 30, 2015	Total
Current assets:				
Cash and cash equivalents	$ 620,471	$ 92,469	$ 971,769	$ 1,684,709
Restricted cash and cash equivalents	-	-	504,395	504,395
Short-term investments	-	103,790	-	103,790
Contributions receivable, net	210,560	4,560	62,505	277,625
Prepaid expenses	-	-	91,690	91,690
Other assets	211,674	-	1,265,634	1,477,308
Total current assets	1,042,705	200,819	2,895,993	4,139,517
Restricted cash and cash equivalents	-	-	3,010,158	3,010,158
Investments	27,887,012	-	-	27,887,012
Contributions receivable, net	262,750	-	-	262,750
Nondepreciable capital assets	24,310	-	546,074	570,384
Depreciable capital assets, net	239,871	66,853	22,149,123	22,455,847
Total noncurrent assets	28,413,943	66,853	25,705,355	54,186,151
Total Assets	$ 29,456,648	$ 267,672	$ 28,601,348	$ 58,325,668
Accounts payable and accrued expenses	81,063	25,334	327,118	$ 433,515
Unearned revenue	-	43,188	-	43,188
Long-term liabilities - current portion	-	-	400,000	400,000
Total current liabilities	81,063	68,522	727,118	876,703
Noncurrent liabilities	167,332	-	31,750,263	31,917,595
Total Liabilities	248,395	68,522	32,477,381	32,794,298
Net position:				
Net investment in capital assets	264,181	66,853	(8,219,803)	(7,888,769)
Restricted for:				
Nonexpendable	8,912,412	50,000	-	8,962,412
Expendable	17,574,175	96,450	-	17,670,625
Unrestricted	2,457,485	(14,153)	4,343,770	6,787,102
Total Net Position	$ 29,208,253	$ 199,150	$ (3,876,033)	$ 25,531,370

Note 15—COMPONENT UNITS (CONTINUED)

	NSU Foundation Inc. as of December 31, 2014	The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2015	Norfolk State University Research and Innovation Foundation and Affiliates as of June 30, 2015	Total
Operating revenues:				
Other operating revenues	$ -	$ 282,027	$ 4,602,135	$ 4,884,162
Total operating revenues	-	282,027	4,602,135	4,884,162
Operating expenses:				
Institutional support	627,194	364,675	2,924,805	3,916,674
Operation and maintenance - plant	-	24,597	1,376,246	1,400,843
Depreciation expense	21,329	8,136	1,197,941	1,227,406
Student Aid	502,319	19,510	-	521,829
Total operating expenses	1,150,842	416,918	5,498,992	7,066,752
Operating loss	(1,150,842)	(134,891)	(896,857)	(2,182,590)
Non-operating revenues:				
Investment income net of investment expense	215,141	3,856	-	218,997
Realized/unrealized gain on investments	453,368	(2,388)	-	450,980
Unrealized gain on interest rate swap	-	-	974,242	974,242
Gifts	1,332,890	160,542	-	1,493,432
Other non-operating revenues	-	37,240	-	37,240
Net non-operating revenues	2,001,399	199,250	974,242	3,174,891
Increase before other revenues, expenses, gains or losses	850,557	64,359	77,385	992,301
Contributions to permanently restricted endowments	275,895	-	-	275,895
Net other revenues	275,895	-	-	275,895
Increase in net position	1,126,452	64,359	77,385	1,268,196
Net position - beginning of the year	28,081,801	134,791	(3,953,418)	24,263,174
Net position - end of year	$ 29,208,253	$ 199,150	$ (3,876,033)	$ 25,531,370

Note 16—RESTATEMENT OF NET POSITION

The following prior period adjustments were made to the beginning net position previously reported in the University's financial statements at June 30, 2014.

Net position as originally stated at June 30, 2014	$	208,431,061
Change in reporting for the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date:		
Net pension liability (measurement date)		(66,509,000)
Deferred outflows - University's contributions made during fiscal year 2014		3,450,591
Total prior period adjustment		(63,058,409)
Net position restated at June 30, 2014	$	145,372,652

Schedule of Norfolk State University's (NSU) Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Year Ended June 30, 2015 *

	2015
NSU's Proportion of the Net Pension Liability (Asset)	0.98%
NSU's Proportionate Share of the Net Pension Liability (Asset)	$54,796,000
NSU's Covered-Employee Payroll	$38,194,169
NSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	143.47%
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 Norfolk State University's (NSU) Share of Net Pension Liability
VaLORS Retirement Plan
For the Year Ended June 30, 2015 *

	2015
NSU's Proportion of the Net Pension Liability (Asset)	0.27%
NSU's Proportionate Share of the Net Pension Liability (Asset)	$1,802,000
NSU's Covered-Employee Payroll	$1,165,478
NSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	154.61%
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 % of Covered Employee Payroll
State Employee	$4,405,042	$4,405,042	$0	36,347,040	12%
VaLORS Employee	$170,613	$170,613	$0	1,300,252	13%

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%

NORFOLK STATE UNIVERSITY
HIGHLIGHTS

FIVE YEARS IN REVIEW

FALL SEMESTER	2010-11	2011-12	2012-13	2013-14	2014-15
ENROLLMENT					
Total	**6,964**	**7,091**	**7,100**	**6,728**	**6,027**
In-state	5,752	5,932	6,004	5,773	5,191
Out-of-state	1,212	1,159	1,096	955	836
FRESHMAN APPLICATIONS					
Number of Applications Received	**3,967**	**4,163**	**4,231**	**3,373**	**2,817**
In-state	1,734	1,756	2,107	1,964	1,509
Out-of-state	2,233	2,407	2,124	1,409	1,308
Number of Applications Accepted	**2,521**	**2,811**	**2,847**	**2,192**	**1,850**
In-state	1,115	1,164	1,446	1,312	1,007
Out-of-state	1,406	1,647	1,401	880	843
Number of Accepted Enrolled	**942**	**923**	**1,088**	**818**	**572**
In-state	710	728	899	686	440
Out-of-state	232	195	189	132	132
TRANSFER APPLICATIONS					
Number of Applications Received	**1,214**	**1,216**	**995**	**959**	**884**
In-state	671	701	675	677	628
Out-of-state	543	515	320	282	256
Number of Applications Accepted	**1,042**	**1,075**	**868**	**854**	**687**
In-state	576	628	584	604	483
Out-of-state	466	447	284	250	204
Number of Accepted Enrolled	**471**	**499**	**534**	**496**	**446**
In-state	380	425	462	432	379
Out-of-state	91	74	72	64	67
GRADUATE APPLICATIONS					
Number of Applications Received	**433**	**409**	**335**	**344**	**293**
In-state	257	227	222	250	211
Out-of-state	176	182	113	94	82
Number of Applications Accepted	**346**	**302**	**247**	**261**	**239**
In-state	218	175	167	187	176
Out-of-state	128	127	80	74	63
Number of Accepted Enrolled	**225**	**216**	**187**	**175**	**183**
In-state	193	170	150	138	154
Out-of-state	32	46	37	37	29
TUITION AND FEES					
Undergraduate					
In-state	$6,327	$6,700	$6,860	$7,226	$7,552
Out-of-state	$19,380	$20,343	$20,360	$20,696	$20,696
Graduate					
In-state	$8,577	$9,115	$9,388	$9,916	$8,692
Out-of-state	$25,534	$26,809	$26,812	$27,268	$21,560
ROOM AND BOARD					
Total Room and Board	**$7,622**	**$7,927**	**$8,130**	**$8,374**	**$8,658**
Room rates	$4,857	$5,051	$5,254	$5,412	$5,574
Board rates	$2,765	$2,876	$2,876	$2,962	$3,050

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 8, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Norfolk State University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Norfolk State 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 units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 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

As discussed in Notes 1 and 16 to the financial statements, the 2014 financial statements have been restated to implement 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 these matters.

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 2 through 8, the Schedule of Norfolk State University's Share of Net Pension Liability on pages 54 through 55, the Schedule of Employer Contributions on page 56, and the Notes to Required Supplementary Information on page 57 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The University Highlights section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The University Highlights section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2015, on our consideration of Norfolk State 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

EMS/clj

NORFOLK STATE UNIVERSITY
Norfolk, Virginia

ACKNOWLEDGEMENTS

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the University Controller's Office and various departments who have been assisted by the Auditor of Public Accounts. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the University.

The following Controller's Office employees were instrumental in the preparation of this report:

Karla Amaya Gordon	Karen Funk	Nichole Horton	Monica Morris	Candace Thompson
Bobbie Berger	Sarah Green	Sonya Jackson	Elena Ottey	Delores White
Rita Bowen	Sabrina Gregory	Karma Johnson-Freeman	Sandra Riggs	Tanya White
Deloris Britton	Debra Haper-Moyler	Danielle Jones	Katina Roberts	Shaquey Wragg
Audra Bunch	Denise Henderson	Tanisha Jones	deLisa Roberts-Jenkins	
Geral Collins	Beverly Herndon	Monsurat Kadri	Comarth Saunders	
Regina Ferandes	Michelle Holland-Frazier	Stephanie Logan	Joy Scott	
Sherry Flegler	Jennifer Holmes	Jackie Matthews	Renee Stewart	
Betty Fulgham	Charolette Horsey	Janice Moore	Zaheer Tariq	

It is also appropriate to thank the Interim President, and Members of the Board of Visitors for their interest and support in planning and conducting the financial affairs of the University.