NORFOLK STATE UNIVERSITY

We see the future in you.

2017-2018 Financial Statements

NORFOLK STATE UNIVERSITY

TABLE OF CONTENTS

NORFOLK STATE UNIVERSITY
We see the future in you.

FINANCE AND ADMINISTRATION
700 Park Ave., HBW Suite 310, Norfolk, Virginia 23504
P: 757-823-8011 | F: 757-823-8084 | nsu.edu

October 15, 2018

Melvin T. Stith, Sr., Ph.D., Interim President 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, 2018 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, 2018.

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 112-115 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 15, 2018.

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
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, 2018. 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, 2017. 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, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

Statement of Net Position

The Statement of Net Position presents the University's assets, deferred outflows, liabilities, deferred inflows and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a fiscal snapshot at June 30, 2018. 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, 2018, 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 for fiscal year 2018, the Governmental Accounting Standards Board (GASB), issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (other postemployment benefits or OPEB)*. The statement replaces the requirements of Statements 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The University participates in postemployment benefit programs that are sponsored by the commonwealth and administered by the Virginia Retirement System (VRS). These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the commonwealth and administered by the Department of Human Resources Management (DHRM).. As of result of this change in reporting, the University has recorded its proportionate share in the financial statements presented within, of the VRS net OPEB liability and OPEB asset; DHRM OPEB liability; VRS and DHRM OPEB expense; OPEB deferred outflows and deferred inflows. The University's proportionate share resulted in a fund balance restatement of $22.6 million. Prior to the implementation of GASB 75, VRS and DHRM did not measure assets and pension benefit obligations separately for individual state institutions. Therefore, for the purpose of MD&A, fiscal year 2017 comparative numbers have not been restated. Footnote 16 to the financial statements breaks down the components making up the restatement amount. Footnote 1 to the financial statements includes the summary of significant accounting policies for OPEB. Footnote 12 and the required supplementary information discloses information on the OPEB plans available to all full-time, salaried permanent employees of Norfolk State University, along with detail on OPEB liability and OPEB expense, and OPEB contributions by the University.

Condensed Summary of Net Position

(amounts in thousands)

	As of June 30,		Increase/(Decrease)	
	2018	**2017**	**Amount**	**Percent**
Assets:				
Current	$ 20,744	$ 25,730	$ (4,986)	-19%
Capital, net of accumulated depreciation	275,761	278,209	(2,448)	-1%
Other non-current	14,718	15,209	(491)	-3%
Total assets	311,223	319,148	(7,925)	-2%
Deferred outflows	7,258	8,731	(1,473)	-17%
Total assets and deferred outflows	$ 318,481	$ 327,879	$ (9,398)	-3%
Liabilities:				
Current	30,255	26,605	3,650	14%
Non-current	116,781	105,413	11,368	11%
Total liabilities	147,036	132,018	15,018	11%
Deferred inflows	11,318	6,642	4,676	70%
Total liabilities and deferred inflows	158,354	138,660	19,694	14%
Net position:				
Net investment in capital assets	233,499	239,199	(5,700)	-2%
Unrestricted	(73,372)	(49,980)	(23,392)	47%
Total net position	$ 160,127	$ 189,219	$ (29,092)	-15%

The University's financial position continues to remain strong at the end of the fiscal year 2018. The decrease in total assets is primarily attributed to the decrease in due from commonwealth receivable and capital assets. Current assets decreased by $5.0 million or 19% as a result of a decrease in capital proceeds due from the Commonwealth, accounts receivable and prepaid expenses. Capital assets decreased by $2.4 million or 1% primarily due to the loss on disposal of assets. The decrease in capital assets is further discussed in the Capital Asset section of this analysis. Other non-current assets decreased by $0.5 million or 3% mainly due to the change in restricted cash and cash equivalents, appropriation available and the new reporting of restricted OPEB asset per the GASB 75.

Deferred outflows decreased by $1.4 million or 17% and includes the fiscal year 2018 retirement contributions of $4.8 million and OPEB contribution of $1.4 million made by the University after the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

The increase in current liabilities of $3.6 million or 14% is primarily attributed to the increase in loan payable and obligations under securities lending. During fiscal year 2018, the university was authorized for a treasury loan for payment obligations, including interest payment, incurred prior to the sale of 9c revenue bonds. The treasury loan provided $3.0 million to cover expenses until bonds are sold for the new residence hall construction project. As of June 30, 2018, the University has drawn down $2.6 million of the authorized amount. Non-current liabilities increased by $11.4 million or 11% primarily due the reporting of OPEB liability of $22.1 million netted by the reduction of pension liability of $7.3 million and a reduction in non-current long term debt of $3.4 million.

Deferred inflows increased by $4.7 million or 70% primarily due to the new reporting of OPEB deferred inflows of $3.9 million and an increase in pension deferred inflows of $0.8 million. These deferred inflows represent pension plan and OPEB plan investments and contributions that will be recognized as pension expenses in future years. The pension expense recognition are shown in detail in footnote 11 for pension plans and in footnote 12 for OPEB plans, of the notes to the financial statements.

The decrease in total net position is attributed to the decrease in net investment in capital asset and the decrease in unrestricted net position. The decrease in net investment in capital assets by $5.7 million is largely attributed to the loss on disposal and the increase in outstanding debt related to capital assets. The decrease of $23.4 million in unrestricted net position is largely attributed to the new accounting standard change with the implementation of GASB Statement 75 to report OPEB transactions.

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.

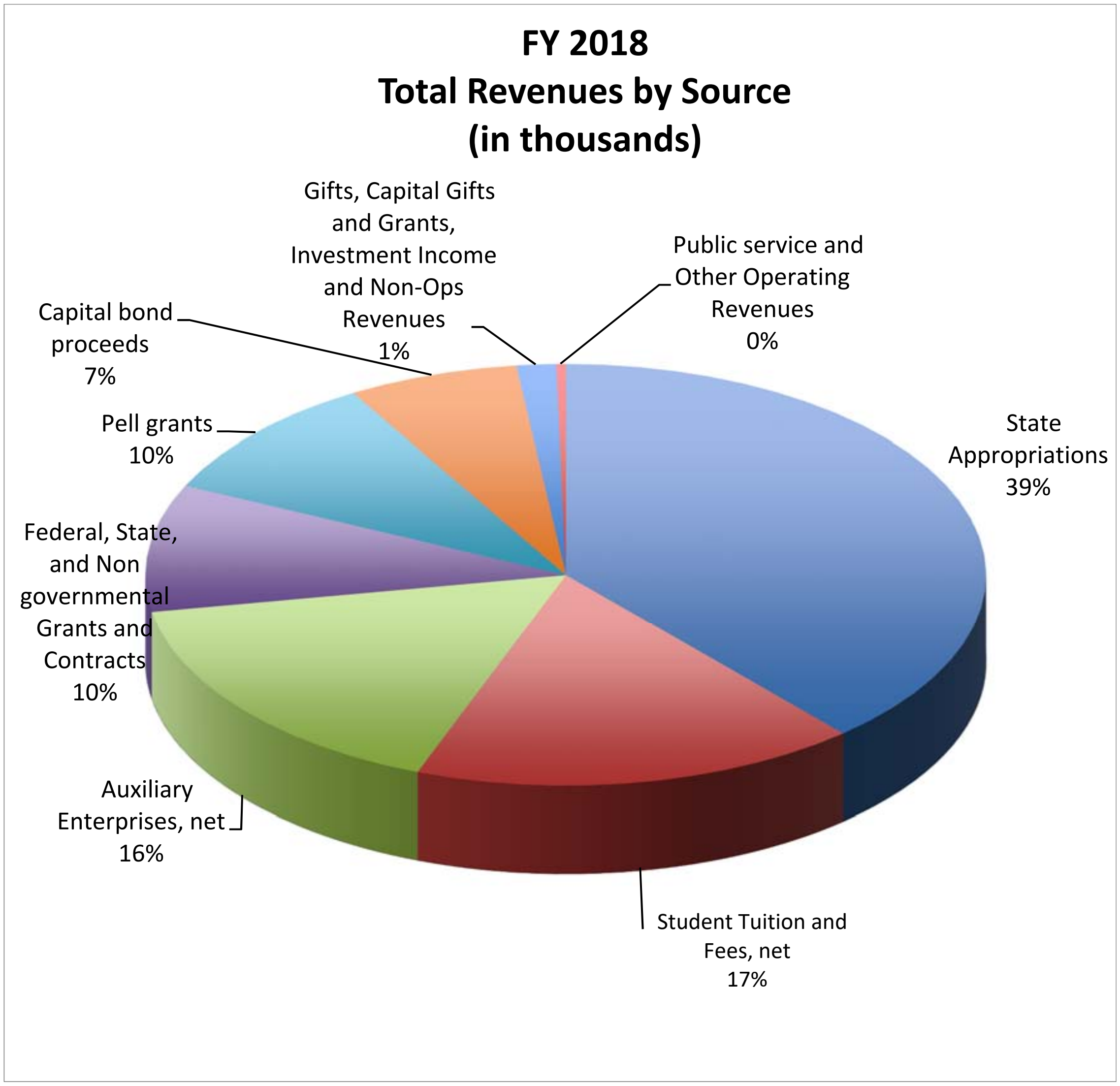
Non-operating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are non-operating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

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 Brown Hall Replacement Building, the Residence Hall Renovation, and maintenance reserve projects.

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

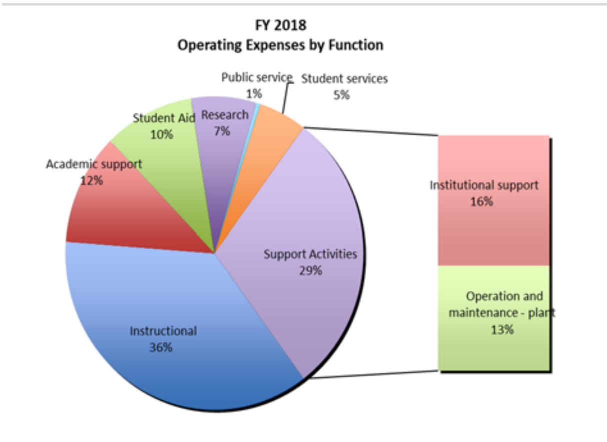
	As of June 30,		Increase/(Decrease)	
	2018	**2017**	**Amount**	**Percent**
Operating revenues:				
Student tuition and fees, net of scholarship allowances of $16,987 and $15,802	$ 26,108	$ 26,088	$ 20	0%
Federal grants and contracts	13,679	17,994	(4,315)	-24%
State grants and contracts	609	358	251	70%
Nongovernmental grants and contracts	591	1,050	(459)	-44%
Public service	511	605	(94)	-16%
Auxiliary enterprises, net of scholarship allowances of $15,101 and $13,537	25,035	23,473	1,562	7%
Other operating revenues	49	84	(35)	-42%
Total operating revenues	66,582	69,652	(3,070)	-4%
Operating expenses:				
Instructional	37,836	37,509	327	1%
Research	7,341	8,592	(1,251)	-15%
Public service	474	541	(67)	-12%
Academic support	11,928	12,712	(784)	-6%
Student services	5,433	5,255	178	3%
Institutional support	16,926	14,028	2,898	21%
Operation and maintenance - plant	13,801	10,376	3,425	33%
Depreciation expense	16,867	14,564	2,303	16%
Student Aid	10,163	10,589	(426)	-4%
Auxiliary activities	32,410	30,942	1,468	5%
Total operating expenses	153,179	145,108	8,071	6%
Operating loss	(86,597)	(75,456)	(11,141)	15%
Net non-operating revenues	68,989	70,055	(1,066)	-2%
Increase (decrease) before other revenues, expenses, gains or losses	(17,608)	(5,401)	(12,207)	226%
Net other revenues	11,081	39,628	(28,547)	-72%
Increase in net position	(6,527)	34,227	(40,754)	-119%
Net position - beginning of the year (restated)	166,654	154,992	11,662	8%
Net position - end of year	$ 160,127	$ 189,219	$ (29,092)	-15%

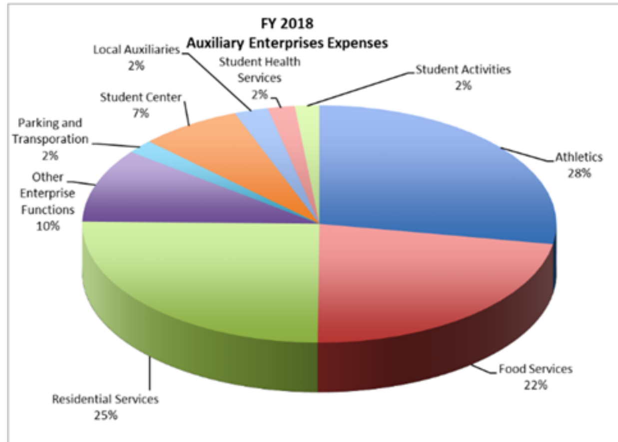
The following is a graphic illustration of total revenues by source (both operating and non-operating) used to fund the University's activities for the year ended June 30, 2018. Critical recurring revenue sources such as state appropriation, Pell grants, capital bond proceeds, and capital gifts and grants are considered non-operating.

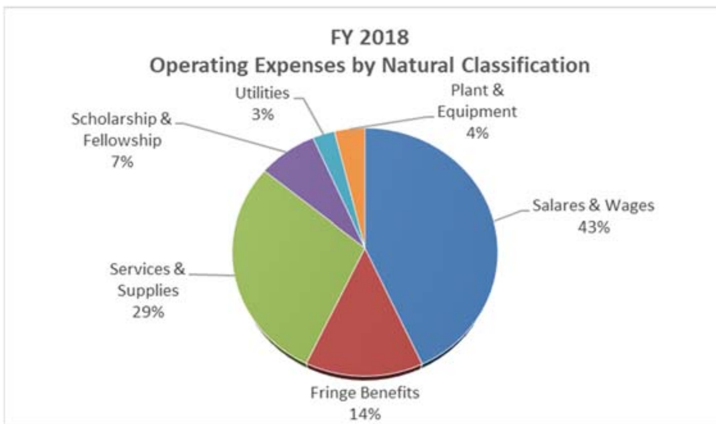


Operating revenues primarily consist of tuition and fees, auxiliary enterprises and revenues from grants and contracts. Overall operating revenues decreased by $3.1 million or 4% primarily due to federal grants revenue reduction of $4.3 million netted by the increase of $1.6 million in auxiliary enterprise revenues. The Board of Visitors approved a $138 dollars increase in mandatory fees for all full-time students and increased room and board rates for FY 2018. This contributed to the increase of $1.6 million in auxiliary enterprises revenues.

The following is a graphic illustration of operating expenses for fiscal year 2018.







Total operating expenses increased by $8.1 million or 6%. Pension expense of $1.3 million related to the GASB 68/71 and OPEB expense of $1.6 million related to the implementation of GASB 75 are reported as operating expense and is allocated to the functions. The research category declined by $1.2 million or 15% due to federal and private grants nearing the end of the grant period and grant closure. Academic support expense decreased by $0.8 million or 6% due to a reduction in pension expenses and contractual obligations. In the functional categories for support activities, institutional support and operation and maintenance of plant increased by $2.9 million (21%) and $3.4 million (33%) respectively. These increases were mostly due to a combination of increases in contractual services and compensation and benefits. Depreciation expense increased by $2.3 million or 16% due to the capitalization of the new Brown Hall building as a depreciable asset in fiscal year 2018. Auxiliary enterprises expenses increased by $1.5 million or 5%, mainly due to the recovery of funds received from the master equipment lease financing for the Digital Display Boards in Echols Hall in FY 2017. This recovery or credit to expenses is not present in fiscal year 2018.

Net non-operating revenues and expenses decreased by $1.1 million or 2% due to a combination of increases in state appropriations of $1.5 million, Pell grants of $0.5 million, and gifts of $0.3 million; netted by increases in non-operating expenses including loss of disposal of assets of $1.9 million and other non-operating expenses of $1.5 million . The increase in other non-operating expenses of $1.5 million is attributed to revenue reported for the special employer VRS contribution as part of the University's pension liability allocation in fiscal year 2017. This special employer contribution is not present in fiscal year 2018. Net other revenues decreased by $28.5 million or 72% due to the decrease of capital bond proceeds received from the VCBA 21ST Century Program that is managed by the Virginia College Building Authority (VCBA) for the construction of Brown Hall

Replacement Building and maintenance reserve projects. The Brown Hall Replacement Building was open in fiscal year 2018. This lessens the amount of proceeds needed to cover project expenses.

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 show the net cash used by the operating activities of the University. Significant sources of cash include student tuition and fees ($25.7 million), grants and contracts ($16.3 million), and auxiliary enterprises receipts ($24.7 million). Major uses of cash include payments for salaries, wages, and fringe benefits ($80.8 million), payments for scholarships and fellowships ($10.1 million), payments for services and supplies ($38.6 million) and payments for non-capitalized plant improvements and equipment ($5.1 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 ($55.3 million) and Pell grants ($14.5 million). The cash flows from capital financing activities section reflect cash used for capital and related items. Primary sources of cash are proceeds from capital debt ($15.2 million). Significant cash outflows include the purchase of capital assets ($16.0 million), repayment of principal on capital related debt ($3.2 million), and interest paid on capital debt ($1.5 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)	
	2018	2017	Amount	Percent
Cash flows from operating activities	$ (71,357)	$ (63,453)	$ (7,904)	12.5%
Cash flows from noncapital financing activities	69,219	71,648	(2,429)	-3.4%
Cash flows from capital financing activities	(4,404)	(2,647)	(1,757)	66.4%
Cash flows from investing activities	99	72	27	37.5%
Net change in cash	$ (6,443)	$ 5,620	$ (12,063)	-214.6%

Capital Asset and Debt Administration

One of the key factors in maintaining the high quality academic, research, and residence life functions is investment and renewal of the University's capital assets. The University continues to sustain and upgrade current facilities as well as pursue funding opportunities for renewal and replacement and purchase of additional equipment and facilities. Overall, capital assets, net of accumulated depreciation decreased by $2.4 million due to loss on disposal for the old Brown Hall Building as shown in Note 4. The University continues to maintain and upgrade current structures across campus and have completed $69.3 million of building and infrastructure improvement projects during fiscal year 2018. A significant portion of the capital projects completed was related to the new Brown Hall Replacement building project of $59.7 million, various building improvements and equipment of $7.7 million, and campus infrastructure improvements of $2.0 million. Major projects still under construction at June 30, 2018 includes the new Residence Hall Construction project of $4.8 million and various building improvement projects totaling $1.5 million.

The University's total long-term debt decreased to $43.4 million in 2018 from $46.6 million in 2017. This decrease of $3.2 million is attributed to principal debt service payment for the fiscal year. In addition , during fiscal year 2018, the university was authorized for a $3.0 million treasury loan for payment obligations, including interest payment, incurred prior to the sale of 9c revenue bonds for the new residence hall construction project. As of June 30, 2018, the University had drawn down $2.6 million of the authorized amount. Bond proceeds of $52.2 million from the 9c debt issuance, scheduled for summer 2018, will be used to pay off the treasury loan. The University's Board of Visitors approved "Debt Management Policy Number 11". This policy established that annual debt service as a percentage of total operating expenses shall not exceed seven percent. The University's 2018 ratio was 3.07 percent compared to 3.04 percent in 2017. This ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives. The board also established within the Debt Management Policy the debt service coverage ratio of greater than 2 times revenues. The ratio is intended to ensure operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income. The University's 2018 debt service coverage ratio was 2.20 compared to 11.07 in 2017.

Overall, unpaid construction and other related contractual commitments on capital projects decreased from $14.2 million in 2017 to $6.5 million in 2018 due to the completion of the Brown Hall Replacement building project. Construction in progress totaled $6.3 million as of June 30, 2018. Further information relating to capital assets, construction, and capital debt is included in the Notes to the Financial Statement in notes 4 and 7.

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 56.5% of operating expenses, excluding auxiliary activities and depreciation.

The University's financial position remains strong with net position of $160 million for the 2018 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, 2018

	Norfolk State University	Component Units
Current assets:		
Cash and cash equivalents (Note 2)	$ 13,525,276	$ 4,425,684
Cash held for securities lending (Note 2)	238,714	-
Restricted cash and cash equivalents	-	935,952
Short-term investments	-	50,000
Accounts receivable, net of allowance for doubtful accounts of $1,994,135 (Note 3)	3,858,814	-
Contributions receivable, net of allowance for doubtful accounts of $24,569 (Note 3)	-	462,644
Due from the Commonwealth	679,002	-
Prepaid expenses	2,083,428	26,230
Notes receivable, net of allowance for doubtful accounts of $98,946 (Note 3)	358,915	-
Other assets	-	1,014,649
Total current assets	20,744,149	6,915,159
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	4,803,341	2,242,463
Appropriation available/due from primary government	6,788,062	-
Restricted other postemployment benefits asset (Note 12)	1,719,000	-
Investments (Note 2)	-	31,052,089
Contributions receivable, net of allowance for uncollectible contributions of $35,784 (Note 3)	-	451,543
Notes receivable, net of allowance for doubtful accounts of $2,988,577 (Note 3)	1,407,750	-
Nondepreciable capital assets (Note 4)	12,234,223	570,384
Depreciable capital assets, net (Note 4)	263,527,026	20,202,137
Total noncurrent assets	290,479,402	54,518,616
Total Assets	311,223,551	61,433,775
Deferred outflows - pension (Note 11)	5,785,105	-
Deferred outflows - other postemployment benefits (Note 12)	1,472,448	-
Total Deferred outflows	7,257,553	
Total Assets and deferred outflows	$ 318,481,104	$ 61,433,775
Current liabilities:		
Accounts payable and accrued expenses (Note 5)	$ 17,947,646	$ 412,917
Unearned revenue	2,872,750	98,495
Obligations under securities lending	238,714	-
Deposits held in custody for others	2,369,252	-
Loan Payable (Note 7)	2,622,382	-
Long-term liabilities - current portion (Note 6)	4,204,525	660,000
Total current liabilities	30,255,269	1,171,412
Noncurrent liabilities:		
Long-term debt (Note 6)	40,044,077	28,264,898
Other noncurrent liabilities (Note 6)	3,005,794	-
Net pension liability (Note 11)	51,633,000	-
Other postemployment benefits obligation (Note 12)	22,097,663	-
Total noncurrent liabiilities	116,780,534	28,264,898
Total Liabilities	147,035,803	29,436,310
Deferred inflows - gain on refunding	62,004	-
Deferred inflows - pension (Note 11)	7,350,000	-
Deferred inflows - other postemployment benefits (Note 12)	3,906,149	-
Total Deferred inflows	11,318,153	-
Total Liabilities and deferred inflows	158,353,956	29,436,310
Net position:		
Net investment in capital assets	233,499,428	(7,484,353)
Restricted for:		
Nonexpendable	-	9,573,194
Expendable	-	20,707,041
Unrestricted	(73,372,280)	9,201,583
Total Net Position	$ 160,127,148	$ 31,997,465

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, 2018

	Norfolk State University	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $16,987,443	$ 26,107,980	$ -
Federal grants and contracts	13,678,609	-
State grants and contracts	609,469	-
Nongovernmental grants and contracts	590,868	-
Public service	510,993	-
Auxiliary enterprises, net of scholarship allowances of $15,101,323	25,035,212	-
Other operating revenues	48,807	5,636,808
Total operating revenues	66,581,938	5,636,808
Operating expenses:		
Instructional	37,835,520	-
Research	7,341,329	-
Public service	474,389	-
Academic support	11,927,723	-
Student services	5,432,860	-
Institutional support	16,925,830	5,539,972
Operation and maintenance - plant	13,801,412	669,823
Depreciation expense (Note 4)	16,867,192	1,000,642
Student Aid	10,163,080	1,931,086
Auxiliary activities	32,409,926	-
Total operating expenses (Note 8)	153,179,261	9,141,523
Operating loss	(86,597,323)	(3,504,715)
Non-operating revenues (expenses):		
State appropriations (Note 9)	58,650,177	-
Investment income net of investment expense	98,951	441,066
Realized/unrealized gain on investments	-	3,701,405
Unrealized gain on interest rate swap	-	1,066,117
Interest on capital asset - related debt	(1,541,218)	-
Loss of disposal of assets (Note 4)	(2,147,357)	-
Gifts	1,115,179	2,426,104
Pell grants	14,548,960	-
Other non-operating expenses	(1,735,220)	-
Net non-operating revenues	68,989,472	7,634,692
Decrease before other revenues, expenses, gains or losses	(17,607,851)	4,129,977
Capital appropriations (Note 9)	9,974,645	-
Capital gifts (Note 9)	1,106,446	-
Contributions to permanently restricted endowments	-	2,005,380
Net other revenues	11,081,091	2,005,380
Increase (decrease) in net position	(6,526,760)	6,135,357
Net position - beginning of the year as restated (Note 16)	166,653,908	25,862,108
Net position - end of year	$ 160,127,148	$ 31,997,465

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

NORFOLK STATE UNIVERSITY
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Student tuition and fees	$ 25,740,082
Grants and contracts	16,319,884
Public service	510,993
Auxiliary enterprises	24,667,437
Other receipts	48,807
Payments to employees	(58,523,947)
Payments for fringe benefits	(22,321,295)
Payments for services and supplies	(38,609,268)
Payments for utilities	(3,801,520)
Payments scholarships and fellowships	(10,163,080)
Payments for non-capitalized plant improvements and equipment	(5,134,891)
Collections of loans from students	2,566,806
Loans issued to students	(2,657,409)
Net cash used in operating activities	(71,357,401)
Cash flows from non-capital financing activities:	
State appropriations	55,268,162
Gifts and grants for other than capital purposes	1,115,179
Direct lending receipts	45,243,957
Direct lending payments	(45,243,957)
Agency receipts	42,178,668
Agency payments	(42,156,406)
Pell grant receipts	14,548,960
Other non-operating revenues	(1,735,220)
Net cash provided by non-capital financing activities	69,219,343
Cash flows from capital financing activities:	
Capital gifts	1,106,446
Proceeds from capital debt	15,210,968
Purchase of capital assets	(16,012,282)
Principal paid on capital debt, leases and installments	(3,168,091)
Interest paid on capital debt, leases and installments	(1,541,218)
Net cash used by capital financing activities	(4,404,177)
Cash flows from investing activities:	
Interest on investments	98,951
Net cash provided by investing activities	98,951
Net decrease in cash and cash equivalents	(6,443,284)
Cash and cash equivalents - beginning of year	24,771,901
Cash and cash equivalents - end of year	$ 18,328,617

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

NORFOLK STATE UNIVERSITY
STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$	(86,597,323)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		16,867,192
Change in assets, deferred outflows, liabilities, and deferred inflows:		
Receivables, net		761,063
Notes receivable, net		(90,603)
Prepaid expenses		1,088,124
Restricted other postemployment benefits asset		(1,719,000)
Deferred outflows of resources - pension		2,945,539
Deferred outflows of resources - opeb		(1,472,448)
Accounts payable and accrued expenses		(104,877)
Unearned revenue		(55,798)
Accrued compensated absences		138,128
Net pension liability		(7,332,000)
Other postemployment benefits obligation		(467,547)
Deferred inflows of resources - pension		776,000
Deferred inflows of resources - opeb		3,906,149
Net cash used in operating activities	$	(71,357,401)
Non-cash investing, capital and financing activities:		
Donated capital assets	$	143
Change in fair value of investments	$	9,742
Amortization of deferred net gain on defeased bonds	$	5,831
Amortization of bond discount	$	(24,664)
Amortization of bond premium	$	220,037
Loss on disposal of assets	$	(2,147,357)

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, 2018, the Norfolk State University Foundation, Inc. and the Athletics Foundation of Norfolk State, Inc. made distributions of $930,891 and $184,288, 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.

During the year ended June 30, 2018, the following GASB Statements became effective: Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement 81, *Irrevocable Split-Interest Agreements*; Statement 85, *Omnibus 2017*; and Statement 86, *Certain Debt Extinguishment Issues*.

Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (other postemployment benefits or OPEB), replaces the requirements of Statements 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Statement 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. See Note 12 for general information about the OPEB plans and calculation of the net OPEB obligation.

Other current year implementations of Governmental Accounting Standards Board (GASB) statements, Statement 81, *Irrevocable Split-Interest Agreements*; Statement 85, *Omnibus 2017*; and Statement 86, *Certain Debt Extinguishment Issues* had no significant effect on the University's financial statements for the current year.

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.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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*, modified by GASB Statement 59, *Financial Instruments Omnibus* and GASB Statement 72, *Fair Value Measurement,* 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, 2018, the University's prepaid expenses included items such as, advertising, software license renewal, insurance, 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.

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 cost of the 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

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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.

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, 2018. 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, 2018, 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, notes payable with contractual maturities greater than one year, estimated amounts for accrued compensated absences that will not be paid within the next fiscal year, the University's proportionate share of the Virginia Retirement System (VRS) State Employee Retirement Plan and Virginia Law Officers' System (VaLORS) net pension liability, and the University's proportionate share of the VRS and Department of Human Resources Management (DHRM) OPEB obligations.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Title 2, Part 200 of the U.S. code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

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.

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.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position (Continued)

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.

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.

S. Pension Obligation

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 for general information about the pension plans and calculation of the net pension liability.

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Other Postemployment Benefits (OPEB)

The University participates in postemployment benefit programs that are sponsored by the commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the commonwealth and administered by the Department of Human Resources Management (DHRM). See Note 12 for general information about the OPEB plans and calculation of the net OPEB liability. Descriptions of these plans are as follows:

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VRS Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

State Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Employee Health Insurance Credit Program (Continued)

amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pre-Medicare Retiree Healthcare Plan

The Department of Human Resource Management (DHRM) is an agency of the Commonwealth of Virginia. DHRM is the administrator of the Commonwealth's employee health insurance program. The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. The University does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the University effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of premiums for active employees.

Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash deposits held by the university are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program® (SNAP®). This program offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP® complies with all standards of GASB

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

Statement 79. SNAP® investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides an NAV that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.

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. Securities Lending Transactions

GASB Statement 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for security lending transactions. Cash equivalents held by the Treasurer of Virginia represent the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report. 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. As of June 30, 2018, the University's share of the securities lending transactions held by the Treasurer of Virginia is $238,714.

B. 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, 2018, none of the University's investments involves concentration of credit risk.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This Statement requires the disclosure of the credit quality ratings of all investments subject to credit risk. As of June 30, 2018, none of the University's investments involves 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.

Norfolk State University and the Norfolk State University Foundation follows accounting standards on fair value measurements, which define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quotes prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for sustainably the same term of the financial statements.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The valuation method is determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amount that may be ultimately realized.

	Amount	0-3 months	Credit Rating
Cash equivalents:			
Money market funds [1]	$ 869,807	$ 869,807	A-1
SNAP [2]	4,442,025	4,442,025	AAAm
Totals	$ 5,311,832	$ 5,311,832	

[1] The University invests certain short-term cash balances held within its accounts in money market funds. The funds are reported at amortized cost, which approximates fair value.

[2] SNAP investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As of December 31, 2017, the Norfolk State University Foundation held the following investments carried at fair value and listed by the valuation hierarchy defined above:

Investments (at fair value):	Level 1	Level 2	Level 3	Total Fair Value
Money market funds	$ 975,073	-	-	$ 975,073
Mutual funds	98,682	-	-	98,682
	$ 1,073,755	$ -	$ -	$ 1,073,755
Investments in private investment companies at net asset value (a)	-	-	-	29,978,334
Total Fair Value	$ 1,073,755	$ -	$ -	$ 31,052,089

(a) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

Note 3—ACCOUNTS RECEIVABLE & NOTES RECEIVABLE

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

Student tuition and fees	$	2,406,505
Federal, state and nongovernmental grants and contracts		3,017,147
Other receivables		429,297
Total accounts receivables		5,852,949
Less allowance for doubtful accounts		(1,994,135)
Net accounts receivable	$	3,858,814

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

Current notes receivables:		
Federal Perkins Student loan program	$	353,379
Virginia State Student loan program		61,298
Other short-term loans		43,184
Total current notes receivable		457,861
Less allowance for doubtful accounts		(98,946)
Net current notes receivables	$	358,915
Noncurrent notes receivables:		
Federal Perkins Student loan program	$	3,763,420
Federal Nursing loan program		9,366
Virginia State Student loan program		623,541
Total noncurrent notes receivable		4,396,327
Less allowance for doubtful accounts		(2,988,577)
Net noncurrent notes receivables	$	1,407,750

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, 2017 for Norfolk State University Foundation and at June 30, 2018 for Norfolk State University Research and Innovation Foundation and Affiliates.

	Norfolk State University Foundation Inc.	University Research and Innovation Foundation and Affiliates	Total
Contributions currently due	$ 449,915	$ 12,729	$462,644
Contributions due in one to five years	439,674	-	439,674
Contributions due in more than five years	72,222	-	72,222
Total contribution receivables	961,811	12,729	974,540
Less - time value discount	(35,784)		(35,784)
Less - allowance for uncollectible accounts	(24,569)	-	(24,569)
Net contributions receivable	$ 901,458	$ 12,729	$914,187

Note 4—CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2018, is presented as follows:

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Nondepreciable capital assets:				
Land	$ 5,941,099	$ -	$ -	$ 5,941,099
Construction in progress	60,625,951	14,973,852	69,306,679	6,293,124
Total nondepreciable capital assets	66,567,050	14,973,852	69,306,679	12,234,223
Depreciable capital assets:				
Buildings	323,309,136	66,896,770	12,379,250	377,826,656
Infrastructure	7,638,020	295,768	-	7,933,788
Equipment	41,970,211	2,639,235	1,207,821	43,401,625
Other improvements	14,941,554	838,285	-	15,779,839
Software	1,815,802	205,066	8,683	2,012,185
Library materials	6,039,127	24,294	663,689	5,399,732
Total depreciable capital assets	395,713,850	70,899,418	14,259,443	452,353,825
Less accumulated depreciation for:				
Buildings	149,626,089	12,204,038	10,428,431	151,401,696
Infrastructure	1,274,531	566,777	-	1,841,308
Equipment	24,627,763	2,878,902	952,938	26,553,727
Other improvements	1,498,188	954,217	-	2,452,405
Software	1,204,690	160,354	5,934	1,359,110
Library materials	5,840,432	102,904	724,783	5,218,553
Total accumulated depreciation	184,071,693	16,867,192	12,112,086	188,826,799
Depreciable capital assets, net	211,642,157	54,032,226	2,147,357	263,527,026
Total capital assets, net	$ 278,209,207	$ 69,006,078	$ 71,454,036	$ 275,761,249

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	-	-	28,562,927	28,562,927
Equipment	951,827	142,336	3,609,757	4,703,920
Total depreciable capital assets	951,827	142,336	32,172,684	33,266,847
Less accumulated depreciation	(702,103)	(84,422)	(12,278,185)	(13,064,710)
Total depreciable capital assets, net	249,724	57,914	19,894,499	20,202,137
Total capital assets, net	$ 274,034	$ 57,914	$ 20,440,573	$ 20,772,521

Note 5—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Vendors and suppliers accounts payable	$ 9,753,174
Employee salaries, wages, and fringe benefits payable	6,832,142
Accrued interest payable	467,237
Retainage payable	788,551
Spartan Suites rent and scholarships	106,542
Total accounts payable and accrued liabilities	$ 17,947,646

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, 2018, is presented as follows:

University	Beginning Balance (1)	Additions	Deletions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable 9c	$ 7,660,000	$ -	$ 390,000	$ 7,270,000	$ 410,000
Notes payable	31,059,400	-	1,441,931	29,617,469	1,512,469
Installment purchases	5,259,668	-	1,134,956	4,124,712	1,287,655
Unamortized bond discount	(99,462)	-	(24,664)	(74,798)	(25,519)
Unamortized bond premium	2,731,373	-	220,037	2,511,336	220,037
Total long-term debt	46,610,979	-	3,162,260	43,448,719	3,404,642
Accrued compensated absences	2,140,622	1,503,996	1,365,868	2,278,750	799,883
Federal loan capital contributions	1,526,927	-	-	1,526,927	-
Total long-term liabilities	$ 50,278,528	$ 1,503,996	$ 4,528,128	$ 47,254,396	$ 4,204,525

Note (1): Beginning balance of long-term liabilites was revised to show net pension liability on the face of the Statement of Net Position. Information regarding the University's net pension liability is discussed in footnote 11.

Research and Innovation Foundation and Affiliates	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	$ 30,035,000	$ -	$ 570,000	$ 29,465,000	$ 660,000
Unamortized debt issuance costs	(1,132,707)	-	75,419	(1,208,126)	-
Total long-term debt	28,902,293	-	645,419	28,256,874	660,000
Derivative - interest rate swap	499,076	1,125,000	1,066,117	557,959	-
Total long-term liabilities	$ 29,401,369	$ 1,125,000	$ 1,711,536	$ 28,814,833	$ 660,000

Norfolk State University Foundation, Inc. and Subsidiary	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Long-term liabilities:					
Split-interest agreement	$ 132,116	$ -	$ 22,051	$ 110,065	$ -
Total long-term liabilities	$ 132,116	$ -	$ 22,051	$ 110,065	$ -

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.

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. On November 10, 2016, $71,200,000 Commonwealth of Virginia General Obligation Bonds, Series 2016A were issued for residence hall projects authorized under Article X, Section 9(c) of the Constitution of Virginia. Bonds of $7,875,000 were issued at a premium of $1,389,200 to finance the costs to renovate and upgrade various residence halls on campus. Debt payments began on June 1, 2017 and will mature on June 1, 2031. The interest rates charged are from 3.00% - 5.00% and the bond proceeds were deposited in the State Non-Arbitrage Program. As of June 30, 2018, the principal balance of $7,270,000 remains outstanding.

On February 1, 2018, the university was authorized for a treasury loan for payment obligations, including interest payment, incurred prior to the sale of 9c revenue bonds. The treasury loan provides $3,000,000 to cover expense until bonds are sold for the new residence hall construction project. As of June 30, 2018, the University drawdown $2,622,382 of the authorized amount. This amount is reported as a current liability on the Statement of Net Position. Proceeds from the sale of the 9c revenue bonds will repay the liability to the Treasury.

On August 14, 2018, the Commonwealth of Virginia closed on the sale of $106,890,000 Commonwealth of Virginia General Obligation Bonds, Series 2018A (the "Bonds") issued for projects authorized under Article X, Section 9(c) of the Constitution of Virginia. The Bonds sold at a true interest cost of 2.8365% on July 25, 2018 and were issued to finance the cost of acquiring, construction and equipping revenue-producing capital projects at institutions of higher education of the Commonwealth. Bonds of $52,185,000 were issued at a premium of $6,984,626 on behalf of Norfolk State University to finance the cost to construct a new residential housing on campus. Debt payments are scheduled to begin in December 1, 2018 and will mature on June 1, 2033. The interest rates charged are from 3.00% - 5.00% and the bond proceeds will be deposited in the State Non-Arbitrage Program.

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 fiscal year 2019.

At June 30, 2017, 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 Fiscal Year End	Balance at June 30, 2018
Bond payable:			
9C Debt Residental Halls Renovations, Series 2016A	3.00-5.00	2031	$ 7,270,000
Net bonds payable			7,270,000
Notes payable:			
Brambleton Center, series 1998		2019	27,469
Student Center 2010A & 2010B	3.75 - 5.50	2031	14,240,000
Student Center 2012A refunding 2004A	2.75 - 5.00	2036	6,280,000
Student Center 2014B refunding 2004A	3.00 - 3.25	2036	9,070,000
Total notes payable			29,617,469
Less: unamortized bond discount			(74,798)
Add: unamortized bond premium			2,511,336
Net notes payable			32,054,007
Installments payable:			
Master equipment lease program	1.207 - 1.175	2019 - 2023	1,377,104
Energy lease project	3.739 - 4.500	2017 - 2021	2,747,608
Net installments payable			4,124,712
Total			$ 43,448,719

Long-term debt matures as follows:

Year ending:	Principal	Interest
2019	$ 3,210,124	$ 1,648,852
2020	3,182,653	1,518,485
2021	3,276,518	1,389,670
2022	2,410,824	1,263,579
2023	2,352,062	1,158,798
2024-2028	11,575,000	4,208,543
2029-2033	11,355,000	1,450,213
2034-2036	3,650,000	178,900
Unamortized Premium	2,511,336	-
Unamortized Discount	(74,798)	-
Total	$ 43,448,719	$ 12,817,040

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 2017 (Refinanced in 2018-Series 2005 in 2017), interest at 70% of LIBOR due monthly beginning February 1, 2018. 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 January 1, 2018. The terms of the agreement require a debt service coverage ratio of at least 1.2:1 beginning January 1, 2017. The interest rate was 4.04% at June 30, 2018. The balance due on this loan as of June 30, 2018 was $29,465,000.

As of June 30, 2018, the Norfolk State University Research and Innovation Foundation and Affiliates bonds mature as follows:

Future principal payments are as follows:

2019	660,000
2020	760,000
2021	870,000
2022	985,000
2023	1,110,000
2024-2028	7,760,000
2029-2033	12,450,000
2034-2035	4,870,000
Total	$ 29,465,000

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 2005 swap contract was terminated in January 2018 resulting in cash proceeds and a realized gain of $1,125,000. A new swap contract was entered into in January 2018 with an original notional amount of $29,465,000 with term of 16 years paying interest at a fixed 3.15% rate and receiving interest at 70% of LIBOR. The unrealized gain/loss of $1,066,117 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 balance as of June 30, 2018 was $557,959.

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	$ 24,229,170	$ 7,342,013	$ 5,394,723	$ -	$ -	$ 869,614	$ -	$ 37,835,520
Research	1,298,888	247,438	5,386,554	-	-	408,449	-	7,341,329
Public service	213,696	24,535	236,158	-	-	-	-	474,389
Academic support	7,050,899	2,358,317	1,640,045	-	-	878,462	-	11,927,723
Student services	3,150,141	1,083,649	1,158,169	-	-	40,901	-	5,432,860
Institutional support	12,277,393	4,020,989	545,415	-	-	82,033	-	16,925,830
Operations and maintenance-plant	4,568,366	1,902,662	2,765,113	-	2,406,566	2,158,705	-	13,801,412
Depreciation expense	-	-	-	-	-	-	16,867,192	16,867,192
Scholarship and fellowship	-	-	-	10,163,080	-	-	-	10,163,080
Auxiliary activities	6,020,732	1,978,385	22,232,088	-	1,394,954	783,767	-	32,409,926
Total operating expenses	$ 58,809,285	$ 18,957,988	$ 39,358,265	$ 10,163,080	$ 3,801,520	$ 5,221,931	$ 16,867,192	$ 153,179,261

Note 9—STATE APPROPRIATIONS & CAPITAL 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 state appropriation:	
Educational and general programs	$ 45,458,921
Student financial assistance	11,683,315
Adjustments:	
VIVA ILL allocation	2,591
Virginia military survivors and dependents	41,175
Two year college transfer grant	51,000
Cybersecurity	20,000
Appropriation Transfer from HEOF to GF	1,398,822
Chapter 836 operating amendments	(5,647)
Adjusted state appropriation	$ 58,650,177

The Commonwealth has established several programs to provided state-supported institutions for higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2018, funding was provided to the University from the 21st Century program and the Equipment Trust Fund, managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities.

The following is a summary of capital appropriation and gifts recognized by the University for year ended June 30, 2018

VCBA 21st Century program	$9,974,645
VCBA Equipment Trust Fund program	$1,106,446

A portion of the funding from the 21st Century program, $602,710, is reported as a receivable, due from the Commonwealth at June 30, 2018.

Note 10—COMMITMENTS

At June 30, 2018, the University was committed to construction contracts totaling approximately $13,543,408. Outstanding commitments on these contracts totaled $6,548,132 as of June 30, 2018.

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, 2018, was $940,779.

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. This lease ended as of June 30, 2018.

Norfolk State University has as of June 30, 2018, the following total future minimum rental payments due under the above leases:

Year	Operating Lease Obligation
2019	$ 752,216
2020	473,524
Total	$ 1,225,740

Note 11—RETIREMENT PLANS

Virginia Retirement System - General Information about the Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	**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.	**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
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.	**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.	***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.
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.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

		Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined 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.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

		• After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.
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** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** 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** **<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **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

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 Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**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%. **Eligibility:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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.	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.
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.	**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.	**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.

Note 11—RETIREMENT PLANS (CONTINUED)
Plan Description

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	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. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required employer contribution rate for the year ended June 30, 2018 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on an actuarially determined rate(s) from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of $162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of $16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Norfolk State University to the VRS State Employee Retirement Plan were 4,567,692 and $ 4,465,685 for the years ended June 30, 2018 and June 30, 2017,

Note 11—RETIREMENT PLANS (CONTINUED)

respectively. Contributions from Norfolk State University to the VaLORS Retirement Plan were $ 239,413 and $ 242,959 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, Norfolk State University reported a liability of $49,418,000, for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $ 2,215,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Norfolk State University's proportion of the Net Pension Liability was based on Norfolk State University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, Norfolk State University proportion of the VRS State Employee Retirement Plan was .84801% as compared to .86372% at June 30, 2016. At June 30, 2017, Norfolk State University proportion of the VaLORS Retirement Plan was.33751% as compared to .26334% at June 30, 2016.

For the year ended June 30, 2018, Norfolk State University's recognized pension expense of $ 952,000 for the VRS State Employee Retirement Plan and $ 326,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Note 11—RETIREMENT PLANS (CONTINUED)

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

VRS Retirement Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 105,000	$ 1,496,000
Net difference between projected and actual earnings on pension plan investments	-	2,111,000
Change in assumptions	480,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	3,471,000
Employer contributions subsequent to the measurement date	4,567,692	
Total	$ 5,152,692	$ 7,078,000

VaLOR Retirement Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,000	$ 5,000
Net difference between projected and actual earnings on pension plan investments	-	61,000
Change in assumptions	-	144,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	387,000	62,000
Employer contributions subsequent to the measurement date	239,413	
Total	$ 632,413	$ 272,000

Note 11—RETIREMENT PLANS (CONTINUED)

Norfolk State University has $ 4,567,692 for VRS and $ 239,413 for VaLORS reported as deferred outflows of resources related to pensions resulting from Norfolk State University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

VRS Retirement Plan			VaLOR Retirement Plan		
FY 2019	$	(4,075,000)	FY 2019	$	40,000
FY 2020	$	(818,000)	FY 2020	$	117,000
FY 2021	$	(181,000)	FY 2021	$	6,000
FY 2022	$	(1,419,000)	FY 2022	$	(42,000)
FY 2023	$	-	FY 2023	$	-

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Note 11—RETIREMENT PLANS (CONTINUED)

Mortality rates:

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

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

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

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

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Note 11—RETIREMENT PLANS (CONTINUED)

Mortality rates:

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

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

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

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

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

Net Pension Liability

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

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

Note 11—RETIREMENT PLANS (CONTINUED)

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

Long-Term Expected Rate of Return

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

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

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

Note 11—RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by Norfolk State 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, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents Norfolk State University's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what Norfolk State 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 proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 72,997	$ 49,418	$ 29,617

The following presents Norfolk State University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what Norfolk State 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's proportionate share of the VaLORS VaLORS Retirement Plan Net Pension Liability	$ 3,090	$ 2,215	$ 1,491

Note 11—RETIREMENT PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2018, the University had accrued retirement contributions payable to the pension plan of $517,669 including $490,448 payable to the VRS State employee Retirement Plan and $27,221 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2018, but not yet paid to the plan.

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 2018 were 8.5 percent. Vesting is full and immediate for both employer and employee contributions. For fiscal year 2018, total pension expense recognized was $1,812,309. For fiscal year 2018, contributions were calculated using the base salary amount of $15,270,753.

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 2018 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 $163,009 for fiscal year 2018.

Note 12—POSTEMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the commonwealth and administered by the Department of Human Resources Management. Below are the detailed descriptions for each program.

General Information about the Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)
Group Life Insurance Program

- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

Reduction in benefit Amounts
The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $ 267,465 and $ 255,130 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Norfolk State University reported a liability of $4,004,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .26616 % as compared to .27191 % at June 30, 2016.

For the year ended June 30, 2018, Norfolk State University recognized GLI OPEB expense of $29,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 89,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	151,000
Change in assumptions	-	206,000
Changes in proportion	19,000	103,000
Employer contributions subsequent to the measurement date	267,465	-
Total	$ 286,465	$ 549,000

$267,465 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2019	$	(108,000)
FY 2020	$	(108,000)
FY 2021	$	(108,000)
FY 2022	$	(108,000)
FY 2023	$	(70,000)
Thereafter	$	(28,000)

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 Percent, net of pension plan investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

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

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

Mortality rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

Mortality rates – SPORS Employees

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

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

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

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

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

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

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Net GLI OPEB Liability

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

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	$ 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

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

Long-Term Expected Rate of Return

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

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

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 5,180,000	$ 4,004,000	$ 3,052,000

Group Life Insurance Program Fiduciary Net Position

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

Payables VRS Group Life Insurance OPEB Plan

At June 30, 2018, the University had accrued group life insurance contributions payable of $15,404 including $14,919 payable to the VRS State employee Retirement Plan and $485 payable to the VaLORS Retirement Plan. The payable is based on group life insurance contributions earned by University employees through June 30, 2018, but not yet paid to the plan.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the *VRS Disability Insurance Program*

Plan Description

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

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
Eligible Employees The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and ValORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
Benefit Amounts The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees: • **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)
VRS Disability Insurance Program

- **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

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

Cost-of-Living Adjustment (COLA)
- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
  - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2018 was 0.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the entity were $215,546 and $208,572 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, Norfolk State University reported an asset of $1,719,000 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2017 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of that date. The state agency's proportion of the Net VSDP OPEB Asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, Norfolk State University's proportion was .83714 % as compared to .84896 % at June 30, 2016.

For the year ended June 30, 2018, Norfolk State University recognized VSDP OPEB expense of $147,000. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VSDP OPEB plan investments	$ -	$ 135,000
Change in assumptions	-	128,000
Changes in proportion	26,000	9,000
Employer contributions subsequent to the measurement date	215,546	-
Total	$ 241,546	$ 272,000

$215,546 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Norfolk State University contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Asset in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2019	$	(49,000)
FY 2020	$	(49,000)
FY 2021	$	(49,000)
FY 2022	$	(49,000)
FY 2023	$	(15,000)
Thereafter	$	(35,000)

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

Mortality rates – VaLORS Employees

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

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

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

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

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

Net VSDP OPEB Asset

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

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

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

Long-Term Expected Rate of Return

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

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

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency's proportionate share of the total VSDP Net OPEB Asset	$ 1,636,000	$ 1,719,000	$ 1,863,000

VSDP OPEB Fiduciary Net Position

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

Payables to the Disability Insurance Program (VSDP) OPEB Plan

At June 30, 2018, the University had accrued VSDP contributions payable of $14,026 including $13,435 payable to the VRS State employee Retirement Plan and $591 payable to the VaLORS Retirement Plan. The payable is based on VSDP contributions earned by University employees through June 30, 2018, but not yet paid to the plan.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the State Employee Health Insurance Credit Program

Plan Description

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2018 was 1.18% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Norfolk State University to the VRS State Employee Health Insurance Credit Program were $ 603,073 and $ 577,457 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, Norfolk State University reported a liability of $6,899,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The state agency's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the state agency's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the state agency's proportion of the VRS State Employee Health Insurance Credit Program was .75765 % as compared to .77257%.

For the year ended June 30, 2018, Norfolk State University recognized VRS State Employee Health Insurance Credit Program OPEB expense of $ 577,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on State HIC OPEB plan investments	$ -	$ 17,000
Change in assumptions	-	77,000
Changes in proportionate share	28,000	143,000
Employer contributions subsequent to the measurement date	603,073	-
Total	$ 631,073	$ 237,000

$ 603,073 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the state agency's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2019	$	(41,000)
FY 2020	$	(41,000)
FY 2021	$	(41,000)
FY 2022	$	(41,000)
FY 2023	$	(37,000)
Thereafter	$	(8,000)

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

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

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

Mortality rates – SPORS Employees

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

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Net State Employee HIC OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

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

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

Discount Rate

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State agency's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 7,628,000	$ 6,899,000	$ 6,271,000

State Employee HIC OPEB Fiduciary Net Position

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

Payables to the State Employee Health Insurance Credit Program OPEB Plan

At June 30, 2018, the University had accrued health insurance credit contributions payable of $34,612 including $33,511 payable to the VRS State employee Retirement Plan and $1,101 payable to the VaLORS Retirement Plan. The payable is based on health insurance credit contributions earned by University employees through June 30, 2018, but not yet paid to the plan.

General Information about the Line of Duty Act Program

Plan Description

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
Eligible Employees The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).
Benefit Amounts The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals: • **<u>Death</u>** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • **<u>Health Insurance</u>** – The Line of Duty Act program provides health insurance benefits. o Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. o Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1- of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were $14,184 and $11,915 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, Norfolk State University reported a liability of $ 290,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as- you-go employer contributions for all participating employers. At June 30, 2017, Norfolk State University's proportion was .11048% % as compared to .10635% % at June 30, 2016.

For the year ended June 30, 2018, Norfolk State University recognized LODA OPEB expense of $ 26,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	-
Change in assumptions	-	30,000
Changes in proportion	10,000	-
Employer contributions subsequent to the measurement date	14,184	-
Total	$ 24,184	$ 30,000

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

Year ended June 30

FY 2019	$	(3,000)
FY 2020	$	(3,000)
FY 2021	$	(3,000)
FY 2022	$	(3,000)
FY 2023	$	(3,000)
Thereafter	$	(5,000)

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

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

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

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

Mortality rates – Non- Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

Net LODA OPEB Liability

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

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

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

	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	$ 329,000	$ 290,000	$ 258,000

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

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

	1.00% Decrease (6.75% decreasing to 4.00%)	Health CareTrend Rates (7.75% decreasing to 5.00%)	1.1% Increase (8.75% decreasing to 6.00%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	$ 246,000	$ 290,000	$ 345,000

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

LODA OPEB Plan Fiduciary Net Position

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

Pre-Medicare Retiree Healthcare

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

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

The University does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the University effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

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

Actuarial Assumptions and Methods

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Pre-Medicare Retiree Healthcare

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

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

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

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

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Pre-Medicare Retiree Healthcare

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

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

At June 30, 2018, Norfolk State University reported a liability of $10,904,664 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $1.3 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2017, Norfolk State University's proportion was .83953% as compared to .84465% at June 30, 2016. For the year ended June 30, 2018, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of $857,602.

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

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ -	$ 438,601
Change in assumptions	-	2,311,799
Changes in proportion	-	67,749
Sub Total	-	2,818,149
Amounts associated with transactions subsequent to the measurement date	289,180	-
Total	$ 289,180	$ 2,818,149

$289,180 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year ended June 30		
FY 2019	$	(518,996)
FY 2020	$	(518,996)
FY 2021	$	(518,996)
FY 2022	$	(518,996)
FY 2023	$	(518,996)
Thereafter	$	(223,169)

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Pre-Medicare Retiree Healthcare

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

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

	1.00% Decrease (2.58%)	Current Rate (3.58%)	1.00% Increase (4.58%)
OPEB Liability	$ 11,681,384	$ 10,904,664	$ 10,160,483

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

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

	1.00% Decrease (7.62% decreasing to 4.00%)	Trend Rate (8.62% decreasing to 5.00%)	1.00% Increase (9.62% decreasing to 6.00%)
OPEB Liability	$ 9,702,386	$ 10,904,664	$ 12,314,098

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, 2018, the University estimates that no material liabilities will result from such audits or questions.

Note 13—CONTINGENCIES (CONTINUED)

Contingent Liability

In May 2016, the University entered into a five-year renewable food service contract with Thompson Hospitality. In the event the renewals are exercised, the full contract term will be 15 years. As part of the contract, Thompson will invest $3.6 million of capital improvement to the University's dining facilities. These improvements will be amortized straight-line over 15 years. The University is contingently liable for an early termination under this contract through fiscal year end June 30, 2031. The University will be responsible to reimburse Thompson Hospitality for the unamortized portion of the capital investments within 30 days of the contract termination. Capital improvements began July 2016. As of June 30, 2018, Thompson Hospitality has completed the $3.6 million in capital improvements investments.

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, 2017	The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2018	Norfolk State University Research and Innovation Foundation and Affiliates as of June 30, 2018	Total
Current assets:				
Cash and cash equivalents	$ 1,457,398	$ 78,640	$ 2,889,646	$ 4,425,684
Restricted cash and cash equivalents	-	-	935,952	935,952
Short-term investments	-	50,000	-	50,000
Contributions receivable, net	449,915	-	12,729	462,644
Prepaid expenses	-	-	26,230	26,230
Other assets	1,014,649	-	-	1,014,649
Total current assets	2,921,962	128,640	3,864,557	6,915,159
Restricted cash and cash equivalents	-	-	2,242,463	2,242,463
Investments	31,052,089	-	-	31,052,089
Contributions receivable, net	451,543	-	-	451,543
Nondepreciable capital assets	24,310	-	546,074	570,384
Depreciable capital assets, net	249,724	57,914	19,894,499	20,202,137
Total noncurrent assets	31,777,666	57,914	22,683,036	54,518,616
Total Assets	$ 34,699,628	$ 186,554	$ 26,547,593	$ 61,433,775
Accounts payable and accrued expenses	102,232	11,051	299,634	$ 412,917
Unearned revenue	-	96,720	1,775	98,495
Long-term liabilities - current portion	-	-	660,000	660,000
Total current liabilities	102,232	107,771	961,409	1,171,412
Noncurrent liabilities	110,065	-	28,154,833	28,264,898
Total Liabilities	212,297	107,771	29,116,242	29,436,310
Net position:				
Net investment in capital assets	274,034	57,914	(7,816,301)	(7,484,353)
Restricted for:				
Nonexpendable	9,523,194	50,000	-	9,573,194
Expendable	20,612,486	94,555	-	20,707,041
Unrestricted	4,077,617	(123,686)	5,247,652	9,201,583
Total Net Position	$ 34,487,331	$ 78,783	$ (2,568,649)	$ 31,997,465

Note 15—COMPONENT UNITS (CONTINUED)

	NSU Foundation Inc. as of December 31, 2017	The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2018	Norfolk State University Research and Innovation Foundation and Affiliates as of June 30, 2018	Total
Operating revenues:				
Other operating revenues	$ -	$ 242,608	$ 5,394,200	$ 5,636,808
Total operating revenues	-	242,608	5,394,200	5,636,808
Operating expenses:				
Institutional support	1,403,291	400,461	3,736,220	5,539,972
Operation and maintenance - plant		35,194	634,629	669,823
Depreciation expense	25,569	17,264	957,809	1,000,642
Student Aid	1,910,117	20,969	-	1,931,086
Total operating expenses	3,338,977	473,888	5,328,658	9,141,523
Operating loss	(3,338,977)	(231,280)	65,542	(3,504,715)
Non-operating revenues:				
Investment income net of investment expense	441,066	-	-	441,066
Realized/unrealized gain (loss) on investments	3,701,405	-	-	3,701,405
Unrealized gain on interest rate swap		-	1,066,117	1,066,117
Loss on disposal of assets		-	-	-
Gifts	2,245,082	181,022	-	2,426,104
Net non-operating revenues	6,387,553	181,022	1,066,117	7,634,692
Increase before other revenues, expenses, gains or losses	3,048,576	(50,258)	1,131,659	4,129,977
Contributions to permanently restricted endowments	2,005,380	-	-	2,005,380
Net other revenues	2,005,380	-	-	2,005,380
Increase in net position	5,053,956	(50,258)	1,131,659	6,135,357
Net position - beginning of the year	29,433,375	129,041	(3,700,308)	25,862,108
Net position - end of year	$ 34,487,331	$ 78,783	$ (2,568,649)	$ 31,997,465

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, 2017.

Net position as originally stated at June 30, 2017	$	189,219,118
Change in reporting for the implementation of GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB) as amended by GASB No. 85, Omnibus 2017:		
VRS Net OPEB liability (measurement date)		(12,154,000)
DHRM OPEB liability (measurement date)		(12,865,210)
VRS Virginia Sickness and Disability Net OPEB Asset		1,417,000
Deferred outflows - University's contributions made during fiscal year 2017		1,037,000
Total prior period adjustment		(22,565,210)
Net position restated at June 30, 2017	$	166,653,908

RETIREMENT PLANS

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

	2018	**2017**	**2016**	**2015**
Employer's Proportion of the Net Pension Liability	0.85%	0.86%	0.93%	0.98%
Employer's Proportionate Share of the Net Pension Liability	$49,418,000	$56,926,000	$56,950,000	$54,796,000
Employer's Covered Payroll	$33,615,222	$34,046,270	$35,843,667	$37,797,709
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	147.01%	167.20%	158.88%	144.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.33%	71.29%	72.81%	74.28%

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

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

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

	2018	**2017**	**2016**	**2015**
Employer's Proportion of the Net Pension Liability	0.34%	0.26%	0.29%	0.27%
Employer's Proportionate Share of the Net Pension Liability	$2,215,000	$2,039,000	$2,026,000	$1,802,000
Employer's Covered Payroll	$1,162,617	$909,368	$965,553	$942,647
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.52%	224.22%	209.83%	191.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.22%	61.01%	62.64%	63.05%

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

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

RETIREMENT PLANS (CONTINUED)

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$ 4,666,216	$ 4,666,216	$ -	$ 34,590,188	13.49%
2017	$ 4,534,693	$ 4,534,693	$ -	$ 33,615,222	13.49%
2016	$ 4,780,212	$ 4,780,212	$ -	$ 34,046,270	14,04%
2015	$ 4,419,524	$ 4,419,524	$ -	$ 35,843,667	12.33%
2014	$ 3,311,079	$ 3,311,079	$ -	$ 37,797,709	8.76%
2013	$ 3,194,466	$ 3,194,466	$ -	$ 36,466,507	8.76%
2012	$ 1,147,030	$ 1,147,030	$ -	$ 35,513,407	3.23%
2011	$ 748,320	$ 748,320	$ -	$ 35,132,384	2.13%
2010	$ 1,742,606	$ 1,742,606	$ -	$ 35,230,612	4.95%
2009	$ 2,209,740	$ 2,209,740	$ -	$ 35,469,348	6.23%

Schedule of Employer Contributions
VaLORS Retirement Plan
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$ 239,413	$ 239,413	$ -	$ 1,137,353	21.05%
2017	$ 244,731	$ 244,731	$ -	$ 1,162,617	21.05%
2016	$ 171,435	$ 171,435	$ -	$ 909,368	18.85%
2015	$ 170,613	$ 170,613	$ -	$ 965,553	17.67%
2014	$ 139,512	$ 139,512	$ -	$ 942,647	14.80%
2013	$ 138,277	$ 138,277	$ -	$ 934,307	14.80%
2012	$ 66,371	$ 66,371	$ -	$ 935,293	7.10%
2011	$ 50,504	$ 50,504	$ -	$ 986,397	5.12%
2010	$ 110,275	$ 110,275	$ -	$ 981,610	11.23%
2009	$ 139,300	$ 139,300	$ -	$ 978,919	14.23%

RETIREMENT PLANS (CONTINUED)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

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

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

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

POSTEMPLOYMENT BENEFITS

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

		2018
Employer's Proportion of the Net GLI OPEB Liability		0.2662%
Employer's Proportionate Share of the Net GLI OPEB Liability	$	4,004,000
Employer's Covered Payroll	$	34,777,839
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll		11.51%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.
* The amounts presented have a measurement date of the previous fiscal year end.

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

		2018
Employer's Proportion of the Net VSDP OPEB Asset		0.83714%
Employer's Proportionate Share of the Net VSDP OPEB Asset	$	1,719,000
Employer's Covered Payroll	$	34,777,839
Employer's Proportionate Share of the Net VSDP OPEB Asset as a Percentage of its Covered Payroll		4.94%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability		186.63%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.
* The amounts presented have a measurement date of the previous fiscal year end.

POSTEMPLOYMENT BENEFITS (CONTINUED)

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

		2018
Employer's Proportion of the Net HIC OPEB Liability		0.7577%
Employer's Proportionate Share of the Net HIC OPEB Liability	$	6,899,000
Employer's Covered Payroll	$	34,777,839
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll		19.84%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability		8.03%

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

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

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018*

		2018
Employer's Proportion of the Net LODA OPEB Liability		0.11048%
Employer's Proportionate Share of the Net LODA OPEB Liability	$	290,000
Covered-Employee Payroll	$	1,075,985
Employer's Proportionate Share of the Net LODA OEP Liability as a Percentage of its Covered Payroll		N/A **
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.30%

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

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

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

POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer's Share of Total OPEB Liability
Pre-Medicare Retirees
For the Year Ended June 30, 2018*

		2018
Employer's Proportion of the collective total OPEB Liability		0.0840%
Employer's Proportionate Share of the collective total OPEB Liability	$	10,904,664
Employer's Covered-employee Payroll	$	44,715,974
Employer's Proportionate Share of the collective total OPEB Liability as a Percentage of its Covered-employee Payroll		24.39%

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

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

POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer Contributions
Group Life Insurance Program (GLI)
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$ 185,783	$ 185,783	$ -	$ 35,727,541	0.52%
2017	$ 180,845	$ 180,845	$ -	$ 34,777,839	0.52%
2016	$ 181,769	$ 181,769	$ -	$ 34,955,638	0.52%
2015	$ 176,684	$ 176,684	$ -	$ 36,809,220	0.48%
2014	$ 185,954	$ 185,954	$ -	$ 38,740,356	0.48%
2013	$ 179,524	$ 179,524	$ -	$ 37,400,814	0.48%
2012	$ 102,056	$ 102,056	$ -	$ 36,448,700	0.28%
2011	$ 101,133	$ 101,133	$ -	$ 36,118,781	0.28%
2010	$ 286,077	$ 286,077	$ -	$ 36,212,222	0.79%
2009	$ 298,876	$ 298,876	$ -	$ 36,448,267	0.82%

Schedule of Employer Contributions
Disability Insurance Program (VSDP)
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$ 235,802	$ 235,802	$ -	$ 35,727,541	0.66%
2017	$ 229,534	$ 229,534	$ -	$ 34,777,839	0.66%
2016	$ 230,707	$ 230,707	$ -	$ 34,955,638	0.66%
2015	$ 242,941	$ 242,941	$ -	$ 36,809,220	0.66%
2014	$ 182,080	$ 182,080	$ -	$ 38,740,356	0.47%
2013	$ 175,784	$ 175,784	$ -	$ 37,400,814	0.47%
2012	$ 240,561	$ 240,561	$ -	$ 36,448,700	0.66%
2011	$ 238,384	$ 238,384	$ -	$ 36,118,781	0.66%
2010	$ 262,122	$ 262,122	$ -	$ 36,212,222	0.72%
2009	$ 707,096	$ 707,096	$ -	$ 36,448,267	1.94%

POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer Contributions
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$ 421,585	$ 421,585	$ -	$ 35,727,541	1.18%
2017	$ 410,379	$ 410,379	$ -	$ 34,777,839	1.18%
2016	$ 367,034	$ 367,034	$ -	$ 34,955,638	1.05%
2015	$ 386,497	$ 386,497	$ -	$ 36,809,220	1.05%
2014	$ 387,404	$ 387,404	$ -	$ 38,740,356	1.00%
2013	$ 374,008	$ 374,008	$ -	$ 37,400,814	1.00%
2012	$ 360,842	$ 360,842	$ -	$ 36,448,700	0.99%
2011	$ 357,576	$ 357,576	$ -	$ 36,118,781	0.99%
2010	$ 362,122	$ 362,122	$ -	$ 36,212,222	1.00%
2009	$ 430,090	$ 430,090	$ -	$ 36,448,267	1.18%

Schedule of Employer Contributions
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	$ 14,184	$ 14,184	$ -	N/A *	N/A *
2017	$ 11,915	$ 11,915	$ -	N/A *	N/A *
2016	$ 10,377	$ 10,377	$ -	N/A *	N/A *
2015	$ 11,933	$ 11,933	$ -	N/A *	N/A *
2014	$ 11,483	$ 11,483	$ -	N/A *	N/A *
2013	$ 10,905	$ 10,905	$ -	N/A *	N/A *
2012	$ 5,613	$ 5,613	$ -	N/A *	N/A *
2011	N/A **	N/A **	N/A **	N/A *	N/A *
2010	N/A **	N/A **	N/A **	N/A *	N/A *
2009	N/A **	N/A **	N/A **	N/A *	N/A *

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

** FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions.

POSTEMPLOYMENT BENEFITS (CONTINUED)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

General State Employees

Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program and Line of Duty Act Program

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

Teachers

Group Life Insurance Program

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

SPORS Employees

Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program and Line of Duty Act Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

POSTEMPLOYMENT BENEFITS (CONTINUED)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

VaLORS Employees

Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program and Line of Duty Act Program

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

JRS Employees

Group Life Insurance Program and Health Insurance Credit Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Group Life Insurance Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

POSTEMPLOYMENT BENEFITS (CONTINUED)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Non-Largest Ten Locality Employers - General Employees
Group Life Insurance Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Largest Ten Locality Employers – Hazardous Duty Employees
Group Life Insurance Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees
Group Life Insurance Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

POSTEMPLOYMENT BENEFITS (CONTINUED)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Employees In The Largest Ten Locality Employers With Public Safety Employees
Line of Duty Act Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Employees In The Non- Largest Ten Locality Employers With Public Safety Employees
Line of Duty Act Program

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60 to 45%

NORFOLK STATE UNIVERSITY

HIGHLIGHTS

FIVE YEARS IN REVIEW

FALL SEMESTER	2013-14	2014-15	2015-16	2016-17	2017-18
ENROLLMENT					
Total	**6,728**	**6,027**	**5,107**	**5,421**	**5,305**
In-state	5,773	5,191	4,403	4,499	4,289
Out-of-state	955	836	704	922	1,016
FRESHMAN APPLICATIONS					
Number of Applications Received	**3,373**	**2,817**	**2,445**	**4,439**	**6,008**
In-state	1,964	1,509	1,346	1,901	1,924
Out-of-state	1,409	1,308	1,099	2,538	4,084
Number of Applications Accepted	**2,192**	**1,850**	**1,930**	**3,795**	**5,415**
In-state	1,312	1,007	1,078	1,625	1,735
Out-of-state	880	843	852	2,170	3,680
Number of Accepted Enrolled	**818**	**572**	**475**	**1,039**	**1,036**
In-state	686	440	354	706	734
Out-of-state	132	132	121	333	302
TRANSFER APPLICATIONS					
Number of Applications Received	**959**	**884**	**641**	**1,039**	**956**
In-state	677	628	443	746	662
Out-of-state	282	256	198	293	294
Number of Applications Accepted	**854**	**687**	**577**	**893**	**856**
In-state	604	483	393	636	590
Out-of-state	250	204	184	257	266
Number of Accepted Enrolled	**496**	**446**	**352**	**491**	**445**
In-state	432	379	290	413	368
Out-of-state	64	67	62	78	77
GRADUATE APPLICATIONS					
Number of Applications Received	**344**	**293**	**256**	**387**	**304**
In-state	250	211	176	284	213
Out-of-state	94	82	80	103	91
Number of Applications Accepted	**261**	**239**	**202**	**325**	**255**
In-state	187	176	145	239	182
Out-of-state	74	63	57	86	73
Number of Accepted Enrolled	**175**	**183**	**167**	**263**	**182**
In-state	138	154	144	221	150
Out-of-state	37	29	23	42	32
TUITION AND FEES					
Undergraduate					
In-state	$7,226	$7,552	$8,366	$8,738	$9,036
Out-of-state	$20,696	$20,696	$20,884	$21,100	$21,238
Graduate					
In-state	$9,916	$8,692	$9,506	$10,568	$11,556
Out-of-state	$27,268	$21,560	$21,748	$21,964	$23,712
ROOM AND BOARD					
Total Room and Board	$8,374	$8,624	$8,970	$9,490	$9,866
Room rates	$5,412	$5,574	$5,798	$6,222	$6,534
Board rates	$2,962	$3,050	$3,172	$3,268	$3,332

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 15, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
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 (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, 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 Notes 1 and 15. 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 did not obtain audited financial statements for the Athletics Foundation of Norfolk State University, Inc., which represents 0.3 percent, 0.2 percent, and 2.8 percent of assets, net position, and revenues, respectively of the University's aggregate discretely presented component units, as the audit as of and for the year ended June 30, 2018, was not complete as of the date of this report. Our opinion is not modified with respect to this matter.

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, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 16 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 75, related to accounting and financial reporting for postemployment benefits other than pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 9, the Schedules of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions for the retirement plans, the Schedules of Employer's Share of Net OPEB Liability/Asset, the Schedules of Employer Contributions for the OPEB plans, and the Notes to Required Supplementary Information on pages 99 through 110 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.

Supplementary and 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 15, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

JMR/clj

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 standard set by the University.

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

Karla Amaya Gordon	Karen Funk	Sonya Jackson	Elena Ottey	Candace Thompson
Bobbie Berger	Garry Galiote	Karma Johnson-Freeman	Sandra Riggs	Eve Turner
Rita Bowen	Sarah Green	Raymond Johnson	deLisa Roberts-Jenkins	Delores White
Brielle Boyd	Sabrina Gregory	Danielle Jones	Aviance Sample	Shaquey Wragg
Delores Britton	Debra Harper-Moyler	Edsel Laririt	Joy Scott	
Audra Bunch	Michelle Holland-Frazier	Jackie Matthews	Linda Smith	
Candice Epser	Jennifer Holmes-Scott	Janice Moore	Brian Stump	
Betty Fulgham	Nichole Horton	Monica Morris	Zaheer Tariq	

It is also appropriate to thank the President and Board of Visitors for making possible the sound financial resources and stable financial position through their interest and support in planning and conducting the financial affairs of the University.

NORFOLK STATE UNIVERSITY
We see the future in you.

An Equal Opportunity Employer