WILLIAM & MARY

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Audited Consolidated Financial Report
For The Year Ended June 30, 2016

VIMS | WILLIAM & MARY
VIRGINIA INSTITUTE OF MARINE SCIENCE

RICHARD BLAND COLLEGE of WILLIAM & MARY

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

ANNUAL FINANCIAL REPORT 2015 - 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

This Management's Discussion and Analysis (MD&A) is a supplement to the consolidated financial statements designed to assist readers in understanding the financial statement information presented. The following information includes a comparative analysis between the current fiscal year ending June 30, 2016 and the prior year ending June 30, 2015. Significant changes between the two fiscal years and important management decisions are highlighted. The summarized information presented in the MD&A should be reviewed in conjunction with both the financial statements and associated footnotes in order for the reader to have a comprehensive understanding of the institution's financial status and results of operations for FY16. William & Mary's management has prepared the MD&A, along with the financial statements and footnotes. W&M's management is responsible for all of the information presented for The College of William and Mary (W&M), the Virginia Institute of Marine Science (VIMS), and their affiliated foundations. Richard Bland College's (RBC) management is responsible for all of the information presented for RBC and its affiliated foundation.

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

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

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

Financial Summary

Statement of Net Position

The Statement of Net Position provides a snapshot of the University's financial position, specifically the assets, deferred outflows of resources, liabilities, deferred inflows of resources and resulting net position as of June 30, 2016. The information presented for FY15 for comparative purposes has been restated for FY16 beginning Net Position adjustments. The information allows the reader to determine the University's assets available for future operations, amounts owed by the University and the categorization of net position as follows:

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

(2) Restricted – reflects the University's endowment and similar funds whereby the donor has stipulated that the gift or the income from the principal, where the principal is to be preserved, is to be used to support specific programs. Donor restricted funds are grouped into generally descriptive categories of scholarships, research, departmental uses, etc.

(3) Unrestricted – reflects a broad range of assets available to the University that may be used at the discretion of the Board of Visitors for any lawful purpose in support of the University's primary mission of education, research and public service. These assets are derived from student tuition and fees, state appropriations, indirect cost recoveries from grants and contracts, auxiliary services sales and gifts.

Summary Statement of Net Position

	FY 2016	FY 2015	Dollar Change	Percent Change
Assets:				
Current	$ 71,012,380	$ 68,148,255	$ 2,864,125	4.20%
Capital, net of accumulated depreciation	841,590,796	798,571,344	43,019,452	5.39%
Other non-current	138,047,959	139,990,529	(1,942,570)	-1.39%
Total assets	1,050,651,135	1,006,710,128	43,941,007	4.36%
Deferred outflows of resources:				
Pension related	17,679,350	12,130,339	5,549,011	45.74%
Loss on refunding of debt	5,005,962	4,755,397	250,565	5.27%
Total deferred outflows of resources	22,685,312	16,885,736	5,799,576	34.35%
Liabilities:				
Current	89,193,866	86,778,036	2,415,830	2.78%
Non-current	362,434,619	353,289,754	9,144,865	2.59%
Total liabilities	451,628,485	440,067,790	11,560,695	2.63%
Deferred inflows of resources:				
Pension related	8,639,000	18,214,000	(9,575,000)	-52.57%
Gain on refunding of debt	545,484	613,320	(67,836)	-11.06%
Total deferred inflows of resources	9,184,484	18,827,320	(9,642,836)	-51.22%
Net Position:				
Net investment in capital assets	604,076,505	549,677,812	54,398,693	9.90%
Restricted	90,036,486	96,504,841	(6,468,355)	-6.70%
Unrestricted	(81,589,513)	(81,481,899)	(107,614)	-0.13%
Total net position	$612,523,478	$564,700,754	$ 47,822,724	8.47%

The overall result of the University's FY16 operations was an increase in net position of approximately $47.8 million or 8.47 percent, bringing Total Net Position to $612.5 million. The increase is primarily due to an increase in the net investment in capital assets of $54.4 million. This increase was partially offset by a decrease in restricted net assets of $6.5 million year over year.

Total assets increased by $43.9 million. Capital assets, net of accumulated depreciation, increased by $43.0 million primarily as a result of construction in progress for projects such as the Integrated Science Center Phase 3, Tyler Hall renovation, construction of the Hixon Experiential Center, renovations to Chandler Hall, Zable Stadium improvements, the build out of the School of Business Entrepreneurship Center in Miller Hall and the renovation of Ernst Hall at Richard Bland College. These projects are discussed in more detail under *Capital Asset and Debt Administration* below. The $5.8 million increase in deferred outflows of resources is due to the recording of pension liability obligations of $5.5 million and losses on refundings of notes and bonds payable of almost $251,000 in FY16.

Total liabilities increased by $11.6 million, which reflects a net increase in both current liabilities and non-current liabilities. The change in current liability was primarily attributable to accounts payable accruals, accrued expenses, unearned revenue, and an advance from the Treasury of Virginia for working capital used pending the receipt of funds from bond sale proceeds. Non-current liabilities increased by $9.1 million due primarily to recording the net pension liability for GASB 68.

Statement of Revenues, Expenses and Changes in Net Position

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

Summary Statement of Revenues, Expenses and Changes in Net Position

	FY 2016	FY 2015	Dollar Change	Percent Change
Operating revenues	$ 313,533,991	$ 307,271,207	$ 6,262,784	2.04%
Operating expenses	437,611,625	415,981,223	21,630,402	5.20%
Operating gain/(loss)	(124,077,634)	(108,710,016)	(15,367,618)	-14.14%
Net Non-operating revenues	103,368,379	96,965,665	6,402,714	6.60%
Income/(Loss) before other revenues	(20,709,255)	(11,744,351)	(8,964,904)	-76.33%
Net other revenues	68,531,979	51,021,071	17,510,908	34.32%
Increase in net position	$ 47,822,724	$ 39,276,720	$ 8,546,004	21.76%

Overall, the result from operations was an increase in net position of $8.5 million. This increase was primarily attributable to overall increases in each of the major revenue categories -- operating revenues, non-operating revenues and other net revenues. Although all categories saw an increase between FY15 and FY16, the most notable was a $17.5 million increase in net other revenues which included an $10.6 million increase in capital appropriations and $6.9 million in capital grants and contributions. Increases in total revenue were partially offset by operating losses and income losses.

Focusing only on operating revenues and expenses, an increase of $6.3 million in operating revenue was driven primarily by an increase in tuition and fees and auxiliary enterprises. See the following section of *Summary of Revenues* for further details. Operating expenses increased notably in instruction, academic and institutional support as well as operation and maintenance of plant. See the following section of *Summary of Expenses* for further details.

With the inclusion of state appropriations for the University in the non-operating category, the University will typically display an operating loss for the year. For FY16, state appropriations contributed almost $72 million or 70% of non-operating revenue.

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

Summary of Revenues

	FY 2016	FY 2015	Dollar Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	$ 166,936,326	$ 158,642,376	$ 8,293,950	5.23%
Federal, State, Local and Non-governmental grants and contracts	45,524,095	48,480,782	(2,956,687)	-6.10%
Auxiliary Enterprise, net of scholarship allowances	93,597,766	92,573,756	1,024,010	1.11%
Other	7,475,804	7,574,293	(98,489)	-1.30%
Total Operating Revenues	313,533,991	307,271,207	6,262,784	2.04%
Non-Operating:				
State Appropriations	71,984,252	69,208,059	2,776,193	4.01%
Gifts, Investment Income and other income and expenses	31,384,127	27,757,606	3,626,521	13.06%
Total Non-Operating	103,368,379	96,965,665	6,402,714	6.60%
Other Revenues, Gains and (Losses):				
Capital Appropriations	46,394,308	35,796,099	10,598,209	29.61%
Capital Grants and Gifts	22,137,671	15,224,972	6,912,699	45.40%
Total Other Revenues, Gains and (Losses)	68,531,979	51,021,071	17,510,908	34.32%
Total Revenues	$ 485,434,349	$ 455,257,943	$ 30,176,406	6.63%

Within the operating revenue category, student tuition and fees increased $8.3 million, net of scholarship allowances. A decrease in Federal, Local, and Non-governmental Grants and Other Operating Revenue was partially offset by an increase in Auxiliary Enterprise Revenues. Non-operating revenues grew significantly, with increases in both State Appropriations and Gifts. Likewise, the University experienced significant growth totaling almost $17.5 million in Total Other Revenues year over year as we continue to make significant investments in our physical plant and capital infrastructure.

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

Summary of Operating Expenses

	FY 2016	FY 2015	Dollar Change	Percent Change
Operating Expenses:				
Instruction	$ 121,411,787	$ 112,452,044	$ 8,959,743	7.97%
Research	55,073,331	53,859,353	1,213,978	2.25%
Public Service	25,571	75,417	(49,846)	-66.09%
Academic Support	36,115,938	32,636,011	3,479,927	10.66%
Student Services	14,444,155	14,118,203	325,952	2.31%
Institutional Support	42,362,163	37,006,880	5,355,283	14.47%
Operation and Maintenance of Plant	25,457,297	23,810,722	1,646,575	6.92%
Student Aid	31,531,887	33,340,367	(1,808,480)	-5.42%
Auxiliary Enterprise	80,677,846	78,274,049	2,403,797	3.07%
Depreciation	30,043,967	29,381,341	662,626	2.26%
Other Operating Expenses	467,683	1,026,836	(559,153)	-54.45%
Total Operating Expenses	$ 437,611,625	$ 415,981,223	$ 21,630,402	5.20%

For FY16, operating expenses increased most significantly in Instruction, Academic Support, Institutional Support, and Operation and Maintenance of Plant.

Statement of Cash Flows

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

Summary Statement of Cash Flows

	FY 2016	FY 2015	Dollar Change	Percent Change
Cash Flows from:				
Operating Activities	$ (89,790,944)	$ (75,972,180)	$ (13,818,764)	-18.19%
Non-capital Financing	111,808,453	104,383,531	7,424,922	7.11%
Capital and related Financing	(21,566,155)	(32,232,946)	10,666,791	33.09%
Investing Activities	5,789,809	(3,447,515)	9,237,324	-267.94%
Net Increase in Cash	$ 6,241,163	$ (7,269,110)	$ 13,510,273	185.86%

Cash flow from operations and non-capital financing reflects the sources and uses of cash to support the core mission of the University. The primary sources of cash supporting the core mission of the University in FY16 were tuition and fees - $160.3 million, auxiliary enterprise revenues - $94.0 million, state appropriations - $72.0 million, and research grants and contracts - $44.4 million.

The primary uses of operating cash in FY16 were payments to employees - $241.9 million representing salaries, wages and fringe benefits and payments to suppliers of goods and services - $110.4 million.

Cash flow from capital financing activities reflects the activities associated with the acquisition and construction of capital assets including related debt payments. The primary sources of cash in FY16 were capital appropriations - $44.1 million, capital grants and contributions - $21.1 million and bond sales - $10.0 million. The primary uses of cash were for capital expenditures - $71.2 million and debt payments - $28.2 million.

The change in cash flows from investing activities is due to market fluctuations and sales of investments.

Capital Asset and Debt Administration

The College of William & Mary

The following list provides highlights of capital projects completed, in progress, or in design during FY16.

- ***Projects Completed in FY16*** – Two projects were placed into service in FY16. The Plumeri Baseball Practice Facility was funded with private funds, and the Chandler Residence Hall was supported with 9d debt. Residual funds in each budget have been used to restore items deleted from project scopes during design and/or to purchase equipment required to optimize facility functionality. These projects will be closed out as soon as warranty inspections are completed.

- ***Projects in Progress*** – Twenty-eight projects are currently in progress, with five in design, eight in construction and 15 in close out.

Projects in Design –Four of the five projects listed below are for Education & General (E&G) facilities. The remaining auxiliary facility supports student wellness. A brief description of each project is provided below:

- An accessibility project will install a ramp, elevator and accessible restrooms in Adair Hall, build wheelchair ramps at two former residential properties acquired by W&M, and improve pathways throughout campus.

- The Swem Media Center updates existing space to provide state-of-the-art presentation media technology for student use. The center provides instructional space and collaboration space for the teaching and practice of the media technologies.

- The Lake Matoaka Dam Spillway Improvement project addresses Virginia dam safety regulations, which require that high risk dams have the capacity to pass off 90% of the flow created by probable maximum precipitation. The capacity will be created by hardening the downstream face of the dam using roller compacted concrete in order to allow passage of flow by overtopping without damage to the earthen embankment.

- The West Utility Plant project will create a new regional utility plant that will reduce the load on the existing Swem Plant and create sufficient chilled water/hot water capability to support the west side of South Campus, including a new Fine and Performing Arts Complex as part of W&M’s Campus Master Plan.

- The Integrative Wellness Center project will co-locate all campus physical and mental health resources (Health Center, Counseling Center, Center for Mindfulness and Authentic Excellence (CMAX) and selected recreational activities which promote relaxation (*e.g.*, yoga, massage, etc.) The synergy of these activities is intended to stress prevention via intervention and to create an environment which promotes relaxation and healing.

Construction - In FY16, W&M had eight projects in construction. Projects numbered 1 through 5 below address Education and General (E&G) facilities while the remaining address auxiliary facilities. A brief summary of each is provided below:

1. Andrews Hall Renovation – A print photography lab is being provided to expand course offerings.

2. Hixon Experiential Center – This new facility will house several legal clinics, consolidating services under one roof.

3. Integrated Science Complex, Phase 3 - New instructional and research space is being brought on line. The facility provides a home for the Department of Applied Sciences, space for the remaining elements of the Biology Department (which are currently housed in the adjacent Millington Hall), facilities for selected elements of Chemistry and Psychology and a new academic computing center. The facility provides interdisciplinary laboratory space to foster increased collaborative research in support of state Science Technology Engineering and Mathematics (STEM) initiatives. As part of this project, Millington Hall will be demolished following completion of construction in order to reclaim the building site for a future facility.

4. Tyler Hall Renovation - This 1925-era academic building was last renovated in 1980. This project brings the facility into current code compliance, while simultaneously, improving building systems, instructional space and technology. It will house the departments of Economics, Government, Public Policy and the Institute for Public Policy in a completely modernized facility.

5. School of Business Entrepreneurship Center – An innovation/maker space is being constructed to create an atmosphere which promotes brainstorming, innovation and business creation.

6. Zable Stadium Improvements – This project adds 2,630 seats in a new upper deck on the west stands. The project also adds replacement seating to the lower stands, upper and lower concourses, suites and a press box on the west side. On the east side, existing restrooms will be renovated and new men's and women's restrooms provided. The project will be completed in early FY17.

7. Cary Field Turf Replacement – This project replaces ten-year old artificial turf at Cary Field within Zable Stadium.

8. One Tribe Place 84 Addition - This project will demolish residential floors due to severe moisture infiltration which compromises the interior environment to an unacceptable level.

Looking ahead, W&M will shift its focus to the Fine and Performing Arts Complex, initiate the Integrated Science Complex (Phase 4), continue the dormitory renovation program and improve supporting utility infrastructure in addition to the continued renewal of existing facilities. Utility upgrades will include modernization of the central campus communications node as W&M moves to the cloud. The Six-Year Plan submission for 2018 – 2024 and future plans will continue to be guided and informed by the 2015 W&M Campus Master Plan.

Virginia Institute of Marine Science (VIMS)

VIMS continues to focus its capital program in three areas: property acquisition, construction of a new research vessel, and construction and renovation of research and support facilities. In FY16, no properties were available for purchases; however, the Institute continues to work with land owners in the area as opportunities arise. Key projects for VIMS in FY16 are described below:

1. **The Research Vessel project** involves the planning and construction of a new custom-designed research vessel to replace the R/V Bay Eagle. In FY16, contract drawings were completed and a short list of selected shipyards was established, with submission of technical and cost proposals scheduled for July 2016.

2. **The Consolidated Scientific Research Facility** project involves the planning of a new 32,000 square-foot building to provide research, study, office and technology space for Information Technology, Marine Advisory Services, Virginia Sea Grant, Center for Coastal Resources

Management, and the Publication/Communication Center in a single facility. Working drawings were completed and a construction manager has been selected. Construction bids have been received and final Guarantee Maximum Price is being negotiated.

3. **The Facilities Management Building** project involves the planning of a new 15,000 square-foot modern building to relocate and house facilities management administrative offices, maintenance trades shops, automotive and equipment repair garage, grounds keeping, housekeeping, and central shipping and receiving units. Working drawings have been finalized and a Request for Qualifications (RFQ) has been advertised to solicit contractors to determine short list.

Richard Bland College

Ernst Hall was opened in 1967 and has not had any major renovations. Its square footage is 33,000. The Bureau of Capital Outlay Management (BCOM) approved a $9.3 million request to renovate this building. RBC achieved substantial completion of the project in late July 2015, with faculty and students taking occupancy of the building the first week of August. Mitigation of outstanding renovation issues and ongoing landscaping work for the exterior of the building continued through June 30, 2016.

In 2014, the VA Department of Forestry (DOF) created a Forestry Stewardship Plan for RBC, which included the revitalization and improvement of 700 acres of campus woodlands. In FY16, as part of this plan, DOF cleared 168 diseased acres, and sprayed and replanted the area, which has improved the health and vitality of the campus woods.

Debt Activity

The University's long-term debt is comprised of bonds payable, notes payable, capital lease payable and installment purchases. The bonds payable are Section 9(c) bonds which are general obligation bonds issued and backed by the Commonwealth of Virginia on behalf of the University. These bonds are used to finance capital projects which will produce revenue to repay the debt. The University's notes payable consists of Section 9(d) bonds, which are issued by the Virginia College Building Authority's (VCBA) Pooled Bond Program. These bonds are backed by pledges against the University's general revenues. As of June 30, 2016 the University has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of $73.2 million and $156.9 million respectively.

The outstanding balance of 9(c) bonds can be summarized in five major categories as follows: (1) Renovation of Dormitories - $35.0 million, (2) Commons Dining Hall - $5.9 million, (3) Other housing / residence - $4.4 million, (4) New Dormitory - $21.5 million, and (5) Underground Utility - $0.1 million. The majority of the 9(d) balance at June 30, 2016 is related to: One Tribe Place - $21.5 million, the Miller Hall School of Business - $16.3 million, the Barksdale dormitories - $16.1 million, Cooling Plant - $18.4 million, Integrated Science Center - $13.5 million, the Parking Deck -$7.1 million, Recreation Sports Center - $6.2 million, Marshall-Wythe Law School Library - $9.9 million and Expansion of the Sadler Center - $7.4 million.

Economic Outlook

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

W&M continues to recruit, admit and retain top-caliber students even as we compete against the most selective public and private institutions in the country. Freshman applications to the University continue to be strong, with 14,381 students seeking admission for fall 2016. With an incoming class size of approximately 1,500 students, W&M has almost 9.5 applicants for every student enrolled. Given its robust applicant pool, the credentials of admitted students remain strong, reflecting William & Mary's highly selective nature. These statistics, coupled with the University's academic reputation, suggest a strong continuing student demand for the future. Similarly, the Virginia Institute of Marine Science (VIMS) continues to see significant success in its academic, research and advisory programs, particularly in high profile areas such as coastal flooding, sea-level rise, and water quality. Richard Bland College (RBC) continues its growth trajectory as well, with steady increases in both headcount and full-time equivalent enrollments. In terms of student mix, RBC has successfully increased its efforts to draw students from outside of the area, with 42% of its students coming from outside the tri-cities region.

State support for operations is a function of general economic conditions and the priority assigned to higher education among competing demands for Commonwealth resources. Both the Governor and the General Assembly clearly set higher education as a top priority for the Commonwealth's 2016-2018 biennial budget, providing over $300 million in incremental operating support to higher education in the State or an increase of approximately six percent. These actions reverse the recent trend of declining state support for Virginia's colleges and universities. However, the Commonwealth ended FY16 with a revenue shortfall that may limit the extent to which incremental State support is available. On-going pressures on, and competing interest in, State revenues require that we exercise caution in making budget commitments that assume State funding support.

While the future of State funding is uncertain, the on-going implementation of the William & Mary Promise will provide incremental tuition revenue over the next several years. These revenues, when combined with increased private support and a reallocation or reprioritization of operating funds, allow the University to move forward strategically.

The rebound in endowment value began in FY10 and continued through FY15. In FY16, we saw a slight decline from $811.2 million as of June 30, 2015 to $803.7 million as of June 30, 2016 in the consolidated value of endowments held by all of the various entities supporting the University. The decline reflects the volatility of the markets during the course of the fiscal year. Despite the slight downturn, we anticipate continued growth in our endowed funds given consistent investment performance by both the Board of Visitors and the College of William and Mary Foundation endowments, and increasing donor giving. The Board of Visitors' endowment and the Foundation's William and Mary Investment Trust, the largest of the investment portfolios, remain highly diversified across asset classes.

Relative to private fund raising, William & Mary continued its success in FY16 raising more than $143 million in gifts and commitments and exceeding over $100 million in gifts and commitments for each of the last four years. This past year marked W&M's public launch of a $1 billion fund-raising campaign. As of June 30, 2016, W&M has raised $577.5 million. With more than 18,250 undergraduate alumni donors, and an undergraduate alumni giving rate of 28.7%, William & Mary has the highest percentage of alumni giving of any public college or University in the country. With increased investment in University Advancement, we expect continued progress in private support for University programs and activities.

Investments in our academic facilities and infrastructure remain strong with the construction of the Integrated Science Center, Phase 3 and the renovation of Tyler Hall almost fully completed in FY16 as described above. The 2016 General Assembly enacted an unprecedented level of capital support for W&M, identifying three major capital projects valued at approximately $200 million in addition to providing capital funding for VIMS and RBC. With the infusion of these funds, W&M will begin transitioning away from construction of new space to the renovation, retrofit or replacement of existing facilities and supporting infrastructure in order to ensure that the physical inventory does not outstrip resources for operations and maintenance

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Consolidated Financial Statements

The College of William and Mary in Virginia, Virginia Institute of Marine Science
and Richard Bland College - Consolidated Report
Statement of Net Position
As of June 30, 2016

ASSETS	**University**	**Component Units**
Current assets:		
Cash and cash equivalents (Note 3)	$ 27,869,383	$ 20,730,523
Investments (Note 3)	18,592,547	2,285,220
Appropriation available	396,284	-
Receivables, net of allowance for doubtful accounts (Note 5)	15,111,593	2,446,944
Due from commonwealth	7,290,441	-
Inventories	568,694	6,127
Pledges receivable	-	9,907,244
Prepaid expenses	1,054,799	948,117
Other assets	128,639	371,665
Total current assets	71,012,380	36,695,840
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	30,799,444	12,111,345
Restricted investments (Note 3)	83,301,810	590,910,328
Investments (Note 3)	21,341,533	13,790,793
Receivables	-	21,976,052
Notes receivable, net of allowance for doubtful accounts (Note 5)	2,605,172	-
Pledges receivable	-	13,279,598
Capital assets, nondepreciable (Note 6)	205,147,589	12,564,065
Capital assets, depreciable net of accumulated depreciation of $429,022,450 (Note 6)	636,443,207	16,324,498
Other assets	-	1,285,489
Other restricted assets	-	159,603,165
Total non-current assets	979,638,755	841,845,333
Total assets	1,050,651,135	878,541,173
Deferred outflows of resources		
Pension related	17,679,350	
Loss on refunding of debt	5,005,962	
Total deferred outflows of resources	22,685,312	
Total assets and deferred outflows of resources	1,073,336,447	
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	45,382,573	1,633,313
Unearned revenue	14,565,419	320,319
Deposits held in custody for others	1,593,746	301,894
Advance from the Treasurer of Virginia (Note 18)	2,004,876	-
Obligations under securities lending program	659	-
Long-term liabilities-current portion (Note 9)	25,187,680	1,503,797
Short term debt	-	272,541
Other liabilities	458,913	69,640
Total current liabilities	89,193,866	4,101,504
Long-term liabilities-non-current portion (Note 9)	362,434,619	57,263,875
Total liabilities	451,628,485	61,365,379
Deferred inflows of resources		
Pension related	8,639,000	
Gain on refunding of debt	545,484	
Total deferred inflows of resources	9,184,484	
Total liabilities and deferred inflows of resources	460,812,969	
NET POSITION		
Net investment in capital assets	604,076,505	12,315,559
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	12,308,586	125,314,839
Research	-	9,940,705
Loans	-	24,230
Departmental uses	37,906,457	154,742,002
Other	-	206,800,969
Expendable:		
Scholarships and fellowships	10,677,234	87,287,218
Research	-	4,977,802
Debt service	1,910,607	-
Capital projects	-	14,734,170
Loans	586,944	70,504
Departmental uses	26,646,658	135,022,394
Other	-	24,671,640
Unrestricted	(81,589,513)	41,273,762
Total net position	$ 612,523,478	$ 817,175,794

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

The College of William and Mary in Virginia, Virginia Institute of Marine Science
and Richard Bland College - Consolidated Report
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	University	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $31,627,842	$ 166,936,326	$ -
Gifts and contributions	-	23,590,671
Federal grants and contracts	36,235,249	-
State grants and contracts	2,862,781	-
Local grants and contracts	223,028	-
Nongovernmental grants and contracts	6,203,037	-
Auxiliary enterprises, net of scholarship allowances of $15,126,251	93,597,766	-
Other	7,475,804	13,225,275
Total operating revenues	313,533,991	36,815,946
Operating expenses: (Note 11)		
Instruction	121,411,787	6,362,993
Research	55,073,331	1,190,986
Public service	25,571	644,619
Academic support	36,115,938	5,171,528
Student services	14,444,155	871,871
Institutional support	42,362,163	17,191,264
Operation and maintenance of plant	25,457,297	1,034,253
Student aid	31,531,887	10,722,331
Auxiliary enterprises	80,677,846	6,195,714
Depreciation	30,043,967	859,911
Other	467,683	20,582,145
Total operating expenses	437,611,625	70,827,615
Operating loss	(124,077,634)	(34,011,669)
Non-operating revenues/(expenses):		
State appropriations (Note 12)	71,984,252	-
Gifts	36,132,524	-
Net investment revenue	(1,350,048)	(13,248,124)
Pell grant revenue	5,493,418	-
Interest on capital asset related debt	(6,855,982)	(258,838)
Other non-operating revenue	1,745,372	23,287,784
Other non-operating expense	(3,781,157)	(13,161)
Net non-operating revenues	103,368,379	9,767,661
Income/(loss) before other revenues, expenses, gains or losses	(20,709,255)	(24,244,008)
Capital appropriations	46,394,308	-
Capital grants and contributions	22,137,671	5,552,707
Additions to permanent endowments	-	11,644,431
Net other revenues, expenses, gains or losses	68,531,979	17,197,138
Increase/(Decrease) in net position	47,822,724	(7,046,870)
Net position - beginning of year, restated (Note 2)	564,700,754	824,222,664
Net position - end of year	$ 612,523,478	$ 817,175,794

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

The College of William and Mary in Virginia, Virginia Institute of Marine Science and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Tuition and fees	$ 160,268,217
Scholarships	(31,305,584)
Research grants and contracts	44,389,290
Auxiliary enterprise charges	93,959,862
Payments to suppliers	(110,428,785)
Payments to employees	(241,895,804)
Payments for operation and maintenance of facilities	(11,457,230)
Loans issued to students and employees	(484,411)
Collection of loans to students and employees	485,007
Other receipts	7,361,799
Other payments	(683,305)
Net cash used by operating activities	(89,790,944)
Cash flows from noncapital financing activities:	
State appropriations	71,984,252
Gifts	36,132,524
Agency receipts	2,312,874
Agency payments	(2,457,987)
Direct Loan receipts	41,158,628
Direct Loan disbursements	(41,158,628)
Other non-operating receipts	6,521,160
Other non-operating disbursements	(2,684,370)
Net cash provided by noncapital financing activities	111,808,453
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	9,969,901
Capital appropriations	44,137,228
Capital grants and contributions	21,126,258
Advance from the Treasurer of Virginia	2,004,876
Payment to the Treasurer of Virginia	(129,092)
Insurance payments	638,044
Capital expenditures	(71,202,199)
Principal paid on capital-related debt	(18,978,859)
Interest paid on capital-related debt	(9,200,327)
Proceeds from sale of capital assets	68,015
Net cash used by capital and related financing activities	(21,566,155)
Cash flows from investing activities:	
Investment income	5,092,158
Investments	697,651
Net cash provided by investing activities	5,789,809
Net increase/(decrease) in cash	6,241,163
Cash-beginning of year	52,427,005
Cash-end of year	$ 58,668,168

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2016

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

Statement of Net Position		
Cash and cash equivalents	$	27,869,383
Restricted cash and cash equivalents		30,799,444
Less: Securities lending -Treasurer of Virginia		(659)
Net cash and cash equivalents	$	58,668,168

Reconciliation of net operating expenses to net cash used by operating activities:		
Net operating loss	$	(124,077,634)
Adjustments to reconcile net operating expenses to cash used by operating activities:		
Depreciation expense		30,043,967
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables-net		(1,981,928)
Inventories		62,840
Prepaid expense		112,829
Accounts payable		3,013,176
Unearned revenue		1,792,767
Deposit held for others		270
Federal loan contribution		(102,749)
Compensated absences		141,162
Pension liability		15,342,000
Deferred outflows of resources related to pension obligations		(5,549,011)
Deferred inflows of resources related to pension obligations		(9,575,000)
Software licenses liability		1,201,990
Other liability		(215,623)
Net cash used in operating activities	$	(89,790,944)

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

Amortization of a deferred loss	$	3,154,400
Donated capital assets	$	1,011,413
Reduction/amortization of bond premium	$	546,504
Net accumulated change in fair value of investments	$	(6,473,679)

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

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Notes to
Financial Statements

Year Ended June 30, 2016

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The accompanying financial statements present all funds for which the University's Board of Visitors is financially accountable. Related foundations and similar non-profit corporations for which the University is not financially accountable are also a part of the accompanying financial statements under Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 39*. These entities are separately incorporated and the University exercises no control over them. These component units are described in Note 13.

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

Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources or income which the Foundations hold and invest are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundations can only be used by or for the benefit of the University, the Foundations are considered component units of the University and are discretely presented in the financial statements with the exception of the Intellectual Property Foundation. The Intellectual Property Foundation is presented blended in the University column because the University has a voting majority of the governing board of the Foundation.

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

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

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

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

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

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

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

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

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

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

The Omohundro Institute of Early American History and Culture (OIEAHC), sponsored by William and Mary and The Colonial Williamsburg Foundation, is organized exclusively for educational purposes. Its Executive Board, subject to its sponsors, determines matters of policy and has responsibility for financial and general management as well as resource development. The Executive Board consists of six members: the chief education officer of the Colonial Williamsburg Foundation, W&M's chief academic officer, the chairperson of the Institute Council and three who are elected by OIEAHC's Executive Board. Prior to the beginning of each fiscal year, the sponsors determine the nature and extent of their responsibility for the financial support of the OIEAHC in the upcoming year. OIEAHC is treated as a joint venture with the University's portion of support to the Institute blended in the University column on the financial statements. The University contributed $866,350 through direct payment of expenses.

The following summarizes the unaudited financial position of the OIEAHC at June 30, 2016:

Assets	$	17,445,620
Liabilities		6,272
Net Assets		17,439,348
Liabilities and Net Assets	$	17,445,620

The total unaudited receipts and disbursements of the OIEAHC were $2,587,068 and $1,865,435 respectively, for the year ended June 30, 2016. Separate financial statements for the OIEAHC may be obtained by writing the Treasurer, Omohundro Institute of Early American History and Culture, P.O. Box 8781, Williamsburg, Virginia 23187-8781.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable GASB pronouncements. Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, effective for the years ending on or after June 30, 2002, the full scope of the University's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Basis of Accounting

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

Newly Adopted Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, effective for the University's fiscal year beginning July 1, 2015. This statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value, as well as guidance for applying fair value to certain investments and disclosures relating to all fair value measurements.

In March 2016, the GASB issued Statement No. 82, Pension Issues, effective for fiscal years beginning after June 15, 2016. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The University decided to early implement GASB Statement No. 82 for fiscal year 2016.

Cash and Cash Equivalents

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

Investments

Investments are recorded at cost or fair market value, if purchased, or fair market value at the date of receipt, if received as a gift, and reported in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for*

Certain Investments and for External Investment Pools and GASB Statement No. 72, *Fair Value Measurement and Application*. (See Note 3.) Realized and unrealized gains and losses are reported in investment income as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Receivables

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

Inventories

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

Prepaid Expenses

As of June 30, 2016, the University's prepaid expenses included items such as insurance premiums, membership dues, conference registrations and publication subscriptions for FY17 that were paid in advance.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The University's capitalization policy on equipment includes all items with an estimated useful life of two years or more. All three campuses capitalize all items with a unit price greater than or equal to $5,000. Library materials for the academic or research libraries are capitalized as a collection and are valued at cost. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets for financial statement periods beginning after June 15, 2009. The Williamsburg and York River campuses capitalize intangible assets with a cost greater than or equal to $50,000 except for internally generated computer software which is capitalized at a cost of $100,000 or greater. Richard Bland College capitalizes intangible assets with a cost greater than or equal to $20,000.

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

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

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

Deferred Outflows of Resources

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

Unearned Revenue

Unearned revenue represents revenue collected but not earned as of June 30, 2016. This is primarily comprised of revenue for student tuition and fees paid in advance of the semester, amounts received from grant and contract sponsors that have not yet been earned and advance ticket sales for athletic events.

Compensated Absences

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

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, notes payable, capital lease payable and installment purchase agreements with contractual maturities greater than one year as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year. Also included is pension liability for defined benefit plans administered through the Virginia Retirement System.

Deferred Inflows of Resources

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

Net Position

The University's net position is classified as follows:

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

Restricted Net Position – Nonexpendable – includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

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

Unrestricted Net Position – represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources, and then toward unrestricted.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from charges to students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the actual charge for goods and services provided by the University and the amount that is paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple calculation that computes scholarship discounts and allowances on a college-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. Student financial assistance grants and other Federal, State or nongovernmental programs are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship allowance.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work Study, Perkins Loans, and Direct Loans, which includes Stafford Loans, Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS Loans. Federal programs are audited in accordance with 2 CFR 200, subpart F.

Classification of Revenues and Expenses

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

Operating revenues - includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and Local grants and contracts and (4) interest on student loans.

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

Non-operating expenses - includes interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

2. RESTATEMENT OF NET POSITION

Net position as previously reported June 30, 2015	$ 564,581,093
The College of William and Mary and Virginia Institute of Marine Science	
Depreciation adjustment for legacy assets	486,106
Richard Bland College	
Capital asset adjustments	(420,426)
Accounts payable and accrued expenses adjustment	(645,113)
Remove error in Banner holding account	(599,207)
Accounts receivable adjustment	(807,116)
Operating expense adjustment	2,105,417
Net position at July 1, 2015	$ 564,700,754

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et. seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody and investment of State funds. Cash held by the University is maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et. seq. Code of Virginia with the exception of cash held by the University in foreign currency. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Investments

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

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires the disclosure of the credit quality rating on any investments subject to credit risk.

Concentration of Credit Risk

Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents five percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. The University's investment policy does not limit the amount invested in U.S. Government or Agency Securities. As of June 30, 2016, the University had 7.4% of its total investments in the Federal National Mortgage Association.

Custodial Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University had no investments in foreign currency but had foreign deposits in the amount of $232,900 in British pounds and $387,526 in Euros as of June 30, 2016.

Security Lending Transactions

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

Fair Value Measurement

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

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

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

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

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

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

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table presents investments as of June 30, 2016:

Investments Measured at Fair Value

	6/30/2016	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Corporate Bonds	$ 24,443,720	$ -	$ 24,443,720	$ -
Commercial Paper	3,998,840	-	3,998,840	-
Agency Unsecured Bonds and Notes	21,979,545	-	21,979,545	-
Mutual and Money Market Funds	50,426,361	50,426,361	-	-
Fixed Income and Comingled Funds	76,578	76,578	-	-
Total Debt Securities	100,925,044	50,502,939	50,422,105	-
Equity Securities				
Common and Preferred Stocks	$ 14,502,943	$ 14,502,943	$ -	$ -
Equity Index and Pooled Funds	25,023,059	25,023,059	-	-
Real Estate	711,173	711,173	-	-
Total Equity Securities	40,237,175	40,237,175	-	-
Total Investments by Fair Value level	141,162,219	90,740,114	50,422,105	-
Other - Rare Coin	280			

Investments measured at the Net Asset Value (NAV)

Equity Hedge Long/Short	679,279
Diversified Event Driven	1,173,415
Commodities	163,285
Managed Futures/Commodities	878,417
Multi Strategy	1,929,211
Relative Value	836,059
Private Equity	421,614
Funds in Liquidation	1,012,479
Total Investments measured at the NAV	$ 7,093,759
Total Investments	$ 148,256,258

Securities traded on U.S. or foreign exchanges are valued at the last reported sales price or, if there are no sales, at the latest bid quotation. Mutual funds and exchange traded funds listed on U.S. or foreign exchanges are valued at the closing net asset value; mutual funds not traded on national exchanges are valued in good faith at the pro-rata interest in the net assets of these entities. Short-term government and agency bonds and notes are valued based on market driven observations and securities characteristics including ratings, coupons and redemptions. Investments held by these entities are valued at prices which approximate fair value. The estimated fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors or third party administrators of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. These investments are valued using valuation techniques such as the market approach, income approach, and cost approach. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

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

Investments Measured at NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Hedge Long/Short	$ 679,279	$ -	Quarterly	95 days
Diversified Event Driven	1,173,415	-	Quarterly	65 days
Commodities	163,285	-	Monthly	35 days
Managed Futures/Commodities	878,417	-	Monthly	10-65 days
Multi Strategy	1,929,211	-	Quarterly	100 days
Relative Value	836,059	-	Semi-Annual	95 days
Private Equity	421,614	658,655	Illiquid	-
Funds in Liquidation	1,012,479	-	Illiquid	-
Total Investments measured at NAV	$ 7,093,759	$ 658,655		

Interest Rate Risk: Maturities

Type of Investment	Fair Value	Less than 1 year	1-5 years	6-10 years	Greater than 10 years
Agency unsecured bonds and notes:					
Federal Home Loan Bank	$ 2,998,461	$ 2,998,461	$ -	$ -	$ -
Federal Home Loan Mortgage Corp	6,280,368	-	6,280,368	-	-
Federal National Mortgage Assn	12,700,716	-	7,542,177	5,158,539	-
Commercial Paper	3,998,840	3,998,840	-	-	-
Corporate Bonds	24,443,720	17,538,585	6,905,135	-	-
Fixed Income and Commingled Funds	76,578	76,578	-	-	-
Mutual and money market funds:					
Money market	23,570,814	23,570,814	-	-	-
Mutual funds - Investment Funds	26,855,547	-	-	22,849,741	4,005,806
Mutual funds - Wells Fargo	534,246	534,246	-	-	-
State non-arbitrage program	23,659,646	23,659,646	-	-	-
	$ 125,118,936	$ 72,377,170	$ 20,727,680	$ 28,008,280	$ 4,005,806

Credit and Concentration of Credit Risks

	Fair Value	Moody's Credit Rating	S&P Credit Rating	Unrated
Cash Equivalents				
Certificate of deposit	$ 130,000	$ -	$ -	$ 130,000
Money market	23,570,814	-	-	23,570,814
Commercial Paper	1,999,400	-	-	1,999,400
State non-arbitrage program - AAAm	23,659,646	-	23,659,646	-
Securities lending	659	-	-	659
Total cash equivalents	49,360,519	-	23,659,646	25,700,873
Investments				
Agency unsecured bonds and notes:				
Federal Home Loan Bank	$ 2,998,461	$ -	$ -	$ 2,998,461
Federal Home Loan Mortgage Corp	6,280,368	-	-	6,280,368
Federal National Mortgage Assn	12,700,716	-	-	12,700,716
Commercial Paper	1,999,440	-	-	1,999,440
Corporate Bonds:				
Aaa	2,000,560	2,000,560	-	-
Aa1	2,005,010	2,005,010	-	-
Aa2	4,511,545	4,511,545	-	-
Aa3	5,496,170	5,496,170	-	-
A1	6,896,000	6,896,000	-	-
A2	2,514,080	2,514,080	-	-
A3	1,020,355	1,020,355	-	-
Fixed Income and Commingled Funds	76,578	-	-	76,578
Mutual funds:				
Investment Funds	26,855,547	-	-	26,855,547
Wells Fargo	534,246	-	-	534,246
Total investments	$ 75,889,076	$ 24,443,720	$ -	$ 51,445,356
Other Investments				
Other	47,330,934			
Rare coins	280			
Property held as investment for endowments	15,600			
Total other investments	47,346,814			
Total cash equivalents and investments	$ 172,596,409			

4. DONOR RESTRICTED ENDOWMENTS

Investments of the University's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations. The Uniform Management of Institutional Funds Act, Code of Virginia Title 55, Chapter 15 sections 268.1-268.10, permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long- and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying the payout percentage to the average market value of the investment portfolio for the three previous calendar year-ends. The payout percentage is reviewed and adjusted annually as deemed prudent.

The University, at FY16 year-end, had a net appreciation of $11,791,836 which is available to be spent and is reported in the Statement of Net Position in the following categories: Restricted Expendable for Scholarships and Fellowships - $6,251,147, Restricted Expendable for Capital Projects - $177,001, Restricted Expendable for Departmental Uses - $4,361,664 and Unrestricted - $1,002,024. The amount for Capital Projects was reclassified to unrestricted because the total net position for Restricted Expendable for Capital Projects was negative for the University.

5. ACCOUNTS AND NOTES RECEIVABLES

Receivables include transactions related to accounts and notes receivable and are shown net of allowance for doubtful accounts for the year ending June 30, 2016 as follows:

Accounts receivable consisted of the following at June 30, 2016:

Student Tuition and Fees	$ 2,853,012
Auxiliary Enterprises	1,289,181
Federal, State and Non-Governmental Grants & Contracts	9,029,735
Other Activities	1,940,777
Gross Receivables	15,112,705
Less: allowance for doubtful accounts	(1,112)
Net Receivables	$ 15,111,593

Notes receivable consisted of the following at June 30, 2016:

Non-current portion:	
Federal student loans and promissory notes	$ 2,723,490
Less: allowance for doubtful accounts	(118,318)
Net non-current notes receivable	$ 2,605,172

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2016 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	$ 25,314,003	$ -	$ -	$ -	$ 25,314,003
Inexhaustible artwork and		-	-	-	-
Historical treasures	74,968,424	-	861,283	-	75,829,707
Construction in Progress	68,364,047	-	65,642,341	(30,002,509)	104,003,879
Total non-depreciable capital assets	168,646,474	-	66,503,624	(30,002,509)	205,147,589
Depreciable capital assets:					
Buildings	770,884,446	(1,580,162)	27,776,468	(10,892)	797,069,860
Equipment	75,786,195	80,849	5,839,832	(4,692,419)	77,014,457
Infrastructure	77,534,645	1,996,144	2,787,807	-	82,318,596
Other improvements	13,979,947	151,840	431,777	(1,421,508)	13,142,056
Library Materials	89,512,712	(4,566)	969,428	(422,617)	90,054,957
Computer software	5,870,087	-	-	-	5,870,087
Total depreciable capital assets	1,033,568,032	644,105	37,805,312	(6,547,436)	1,065,470,013
Less accumulated depreciation for:					
Buildings	228,463,514	(392,730)	20,616,744	(602,305)	248,085,223
Equipment	48,986,030	(93,376)	5,102,667	(4,129,718)	49,865,603
Infrastructure	32,615,753	1,064,531	2,260,596	-	35,940,880
Other improvements	6,223,842	-	584,797	(151,840)	6,656,799
Library Materials	82,425,654	-	1,370,666	(420,565)	83,375,755
Computer software	4,994,049	-	108,497	-	5,102,546
Total accumulated depreciation	403,708,842	578,425	30,043,967	(5,304,428)	429,026,806
Depreciable capital assets, net	629,859,190	65,680	7,761,345	(1,243,008)	636,443,207
Total capital assets, net	$ 798,505,664	$ 65,680	$ 74,264,969	$ (31,245,517)	$ 841,590,796

Capitalization of Library Books

The methods employed to value the general collections of W&M's Earl Gregg Swem Library, W&M's Marshall-Wythe Law Library, VIMS' Hargis Library, and RBC Library are based on average cost determined by each library. The average cost of the Swem Library purchases of books was $43.39 for FY16. The average cost of the Law Library purchases of books was $88.20 for FY16. Special collections maintained by each library are valued at historical cost or acquisition value. The average cost of library books purchased for VIMS was $51.58 for FY16. The average cost of library books purchased for RBC was $15.64 for FY16. The changes reflected in the valuation are due to the recognition of depreciation in accordance with GASB Statements No. 34 and 35, as well as purchases, donations and disposals.

Impairment of Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* was issued effective for the fiscal year ended June 30, 2006. Statement No. 42 requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. There were no reported impairments during FY16.

Proceeds from other insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, $638,044 in proceeds from insurance recoveries is classified as a capital related financing activity.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2016:

Current Liabilities:	
Employee salaries, wages, and fringe benefits payable	$ 23,857,238
Vendors and supplies accounts payable	8,400,409
Capital projects accounts and retainage payable	13,124,926
Total current liabilities-accounts payable and accrued liabilities	$ 45,382,573

8. COMMITMENTS

At June 30, 2016, outstanding construction commitments totaled approximately $100,310,000.

Commitments also exist under various operating leases for buildings, equipment and computer software. In general, the leases are for one to three year terms with renewal options on the buildings, equipment and certain computer software for additional one-year terms. In most cases, these leases will be replaced by similar leases. William and Mary has also entered into one twenty-year lease for space in the Applied Science Research Center Building at the Jefferson Center for Research and Technology in Newport News, Virginia. Rental expense for the fiscal year ending June 30, 2016, was $3,890,794.

As of June 30, 2016, the following total future minimum rental payments are due under the above leases:

Year Ending June 30, 2016	Amount
2017	$ 3,169,323
2018	2,673,531
2019	838,009
2020	792,090
2021	782,121
2022 - 2026	56,605
Total	$ 8,311,679

9. LONG-TERM LIABILITIES

The University's long-term liabilities consist of long-term debt (further described in Note 10), and other long-term liabilities. A summary of changes in long-term liabilities for the year ending June 30, 2016 is presented as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Installment Purchases	$ 4,127,568	$ -	$ (633,068)	$ 3,494,500	$ 480,211
Capital Leases Payable	22,458,851	329,094	(586,008)	22,201,937	711,252
Other long-term obligations	791,108	-	(112,569)	678,539	19,771
Notes Payable	161,776,794	14,488,105	(19,319,002)	156,945,897	8,435,000
Bonds Payable	78,595,215	-	(5,424,142)	73,171,073	4,664,977
Total long-term debt	267,749,536	14,817,199	(26,074,789)	256,491,946	14,311,211
Perkins Loan Fund Balance	2,498,565	-	(102,749)	2,395,816	-
Accrued compensated absences	10,614,385	10,755,547	(10,614,385)	10,755,547	10,502,087
Software licenses	-	1,351,716	(149,726)	1,201,990	374,382
Net Pension Liability	101,435,000	15,342,000 *	-	116,777,000	-
Total long-term liabilities	$ 382,297,486	$ 42,266,462	$(36,941,649)	$ 387,622,299	$25,187,680

* net increase is shown

10. LONG-TERM DEBT

Bonds Payable

William and Mary's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University and are backed by the full faith, credit and taxing power of the Commonwealth and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Listed below are the bonds outstanding at year-end:

Description	Interest Rates(%)	Fiscal year Maturity	Balance as of June 30, 2016
Section 9(c) bonds payable:			
Dormitory, Series 2009C	3.000 - 4.000	2021	$ 379,034
Dormitory, Series 2009C	3.000 - 4.000	2022	1,971,772
Dormitory, Series 2009D	2.500 - 5.000	2022	1,940,000
Renovate Residence Halls, Series 2010A2	2.000 - 5.000	2030	3,385,000
Dormitory, Series 2012A	3.000 - 5.000	2024	779,720
Dormitory, Series 2013A	2.000 - 5.000	2033	4,180,000
Dormitory, Series 2013B	3.000 - 5.000	2026	844,462
Dormitory, Series 2014A	2.000 - 5.000	2034	8,445,000
Dormitory, Series 2014B	2.000 - 5.000	2017	57,143
Dormitory, Series 2014B	2.000 - 5.000	2017	252,074
Dormitory, Series 2014B	2.000 - 5.000	2018	880,399
Dormitory, Series 2014B	2.000 - 5.000	2020	1,225,496
Dormitory, Series 2015A	2.000 - 5.000	2035	10,660,000
Renovation of Dormitories			35,000,100
Graduate Housing, Series 2008B	3.000 - 5.000	2018	225,000
Graduate Housing, Series 2009D	2.500 - 5.000	2022	1,270,000
Graduate Housing, Series 2013B	3.000 - 5.000	2026	1,411,860
Graduate Housing, Series 2015B	4.000 - 5.000	2028	1,482,414
Graduate Housing			4,389,274
Construct New Dormitory, Series 2010A2	2.000 - 5.000	2030	1,535,000
Construct New Dormitory, Series 2011A	3.000 - 5.000	2031	12,140,000
Construct New Dormitory, Series 2013A	2.000 - 5.000	2033	7,860,000
Construct New Dormitory			21,535,000
Underground Utility, Series 2014B	2.000 - 5.000	2017	142,857
Underground Utility			142,857
Renovate Commons Dining Hall, Series 2009D	2.500 - 5.000	2022	3,200,000
Renovate Commons Dining Hall, Series 2012A	3.000 - 5.000	2024	1,289,537
Renovate Commons Dining Hall, Series 2013B	3.000 - 5.000	2026	1,389,450
Commons Dining Hall			5,878,987
Total bonds payable			66,946,218
Unamortized premiums (discounts)			6,224,855
Net bonds payable			$ 73,171,073

Notes Payable

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

Description	Interest Rates (%)	Fiscal year Maturity	Outstanding Balance as of June 30, 2016
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	$ 510,000
Barksdale Dormitory, Series 2010B	2.000 - 5.000	2021	450,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2024	465,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	5,980,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	6,330,000
Barksdale Dormitory, Series 2014B	4.000 - 5.000	2026	1,605,000
Barksdale Dormitory, Series 2014B	5.000	2024	730,000
Barksdale Dormitory			16,070,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000
William and Mary Hall, Series 2014B	3.000 - 5.000	2017	145,000
William and Mary Hall			310,000
Parking Deck, Series 2010B	2.000 - 5.000	2021	950,000
Parking Deck, Series 2012A	3.000 - 5.000	2024	975,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	1,275,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	3,140,000
Parking Deck, Series 2014B	4.000 - 5.000	2026	795,000
Parking Deck			7,135,000
Recreation Sports Center, Series 2010B	2.000 - 5.000	2021	220,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2024	225,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	4,225,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	1,225,000
Recreation Sports Center, Series 2014B	4.000 - 5.000	2026	310,000
Recreation Sports Center			6,205,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	205,000
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,655,000
Improve Athletics Facilities, Series 2014B	4.000 - 5.000	2026	425,000
Improve Athletics Facilities, Series 2014B	5.000	2024	280,000
Improve Athletics Facilities II, Series 2013A&B	2.000 - 5.000	2034	1,500,000
Improve Athletics Facilities			4,065,000

Description	Interest Rates (%)	Fiscal year Maturity	Outstanding Balance as of June 30, 2016
Marshall-Wythe Library, Series 2014B	5.000	2020	500,000
Law School Library, Series 2007A	4.500 - 5.000	2028	880,000
Law School Library, Series 2010B	2.000 - 5.000	2021	260,000
Law School Library, Series 2012A	3.000 - 5.000	2024	280,000
Law School Library, Series 2014B	4.000 - 5.000	2026	1,640,000
Law School Renovations, Series 2013A&B	2.000 - 5.000	2034	6,365,000
Law School Library			9,925,000
Magnet Facility, Series 2010B	2.000 - 5.000	2021	570,000
Magnet Facility, Series 2012A	3.000 - 5.000	2024	575,000
Magnet Facility			1,145,000
School of Business, Series 2007A	4.500 - 5.000	2028	5,680,000
School of Business, Series 2014B	4.000 - 5.000	2026	10,575,000
School of Business			16,255,000
Integrated Science Center, Series 2007A	4.500 - 5.000	2028	2,980,000
Integrated Science Center, Series 2009A	2.750 - 5.000	2021	1,250,000
Integrated Science Center, Series 2014B	4.000 - 5.000	2026	5,545,000
Integrated Science Center, Series 2015B	2.100 - 5.000	2029	3,755,000
Integrated Science Center			13,530,000
Cooling Plant & Utilities, Series 2009B	2.000 - 5.000	2030	9,330,000
Cooling Plant & Utilities, Series 2010A1&A2	2.000 - 5.500	2031	9,105,000
Cooling Plant & Utilities			18,435,000
Power Plant Renovations, Series 2007A	4.500 - 5.000	2028	1,165,000
Power Plant Renovations, Series 2014B	4.500 - 5.000	2026	2,175,000
Power Plant Renovations			3,340,000
Busch Field Astroturf Replacement, Series 2009B	2.000 - 5.000	2030	1,135,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	640,000
Williamsburg Hospital/School of Education 2014B	5.000	2024	910,000
Williamsburg Hospital/School of Education			1,550,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	1,475,000
J. Laycock Football Facility, Series 2014B	5.000	2024	2,100,000
J. Laycock Football Facility			3,575,000
Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	515,000
Residence Hall Fire Safety Systems, Series 2014B	5.000	2024	730,000
Residence Hall Fire Safety Systems			1,245,000
Ash Lawn-Highland Barn, Series 2010A1&A2	2.000 - 5.500	2031	635,000

Description	Interest Rates (%)	Fiscal year Maturity	Outstanding Balance as of June 30, 2016
Expand Sadler Center, Series 2012B	3.000 - 5.000	2033	6,490,000
Expand Sadler Center, Series 2013A&B	2.000 - 5.000	2034	940,000
Sadler Center			7,430,000
One Tribe Place, Series 2013A&B	2.000 - 5.000	2034	21,545,000
Integrative Wellness Center 2015A	3.000 - 5.000	2036	9,320,000
Total 9(d) bonds			142,850,000
Unamortized premiums (discounts)			14,095,897
Net notes payable			$ 156,945,897

Installment Purchases

At June 30, 2016, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance energy performance contracts and the acquisition of equipment. The lengths of purchase agreements range from two to fifteen years, and the interest rate charges are from 3.1 to 4.7 percent. The outstanding balance of installment purchases as of June 30, 2016 is $3,494,500.

Capital Leases

Richard Bland College (RBC) has entered into a thirty year capital lease with Richard Bland College Foundation (RBCF) for the provision of a student housing complex with two dormitories on the RBC campus. RBC has accounted for the acquisition of the complex and its furniture and equipment as a capital lease, and therefore has recorded the facility and furnishings as depreciable capital assets and has also recorded a corresponding lease liability in long-term debt on the Statement of Net Position. The outstanding balance as of June 30, 2016 is $21,848,348. RBC has also recorded an Other Long-Term Obligation which is payable to RBCF for repayment of the bonds for the dormitories for the amount due on the bonds which is greater than the total fair value of assets received. The outstanding balance as of June 30, 2016 is $769,603. William and Mary has entered into Capital Lease agreements for the purchase of printers and copiers. The outstanding balance of these agreements as of June 30, 2016 is $262,525.

Long-term debt matures as follows:

Fiscal Year	Principal	Interest	BAB Interest Subsidy	Net Interest
2017	$ 14,311,210	$ 9,624,502	$ 202,439	$ 9,422,063
2018	14,756,620	8,949,841	199,877	8,749,964
2019	14,616,236	8,259,611	196,893	8,062,718
2020	15,255,143	7,602,803	189,952	7,412,851
2021	15,629,188	6,931,062	178,665	6,752,397
2022-2026	82,065,902	23,567,156	693,143	22,874,013
2027-2031	53,057,628	9,104,678	250,674	8,854,004
2032-2036	24,054,755	1,914,405	-	1,914,405
2037-2041	2,424,512	69,194	-	69,194
Unamortized premiums	20,320,752			
Total	$256,491,946	$ 76,023,252	$ 1,911,644	$ 74,111,608

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

Defeasance of Debt

In December 2015, the Virginia College Building Authority (VCBA) issued Educational Facilities Revenue Refunding Bonds Series 2015B. The original bonds were used to finance part of the Integrated Science Center Project. The net proceeds from the sale of the Refunding Bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the University's portion of the liability has been removed from the financial statements.

The amount and percentage of debt defeased relating to the University is as follows:

Series	Type	Debt Outstanding	Amount Defeased	Percentage Defeased
2009A	9D	5,020,000	3,770,000	75%

The University's portion of the accounting loss recognized in the financial statements was $864,905. The net economic gain attributable to the University was $139,696 and will result in a decreased cash flow requirement of $159,996 over the remaining life of the debt.

Prior Year Defeasance of Debt

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous and current fiscal years for which the proceeds were deposited into irrevocable trusts with escrow agents to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not included in the University's financial statements. At June 30, 2016, $31,500,000 of the defeased bonds was outstanding.

11. EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries, Wages and Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	112,208,006	7,086,968	1,237,141	879,672	-	121,411,787
Research	37,507,255	15,816,087	1,192,734	557,255	-	55,073,331
Public service	5,028	17,983	600	1,960	-	25,571
Academic support	26,819,567	3,715,492	357,879	5,223,000	-	36,115,938
Student services	9,199,735	4,809,209	140,407	294,804	-	14,444,155
Institutional support	34,780,247	7,129,612	132,304	320,000	-	42,362,163
Operation and maintenance of plant	4,241,963	19,603,383	1,486	1,610,465	-	25,457,297
Depreciation	-	-	-	-	30,043,967	30,043,967
Scholarships and related expenses	2,855,194	35,421	28,633,131	8,141	-	31,531,887
Auxiliary enterprises	23,047,546	54,981,613	12,606	2,636,081	-	80,677,846
Other	120,282	1,018	346,225	158	-	467,683
Total	250,784,823	113,196,786	32,054,513	11,531,536	30,043,967	437,611,625

12. STATE APPROPRIATIONS

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

Chapter 665 - 2015 Acts of Assembly (Educational and General Programs)		$ 64,410,116
Student financial assistance		4,845,117
Supplemental appropriations:		
VIVA libraries	29,074	
State employees workers compensation	15,596	
Security Officer appropriations	1,347	
Marine Science Resources and Environmental Research	111,091	
Central Appropriations transfer	2,786,067	
Biomedical research	75,000	
VMSDEP	9,000	
Commonwealth Technology Research Award	123,969	3,151,144
Appropriation reductions:		
VITA costs	(91,512)	
Budget Reductions	(190,882)	
Appropriation Act transfers	(9,502)	(291,896)
Reversions to the General Fund of the Commonwealth		(130,229)
Appropriations as adjusted		$ 71,984,252

13. COMPONENT UNIT FINANCIAL INFORMATION

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

Summary of Statement of Net Position - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
ASSETS				
Current assets				
Cash and cash equivalents	$ 3,847,203	$ 1,726,507	$ 3,777,060	$ 472,605
Investments	2,285,220	-	-	-
Pledges receivable, net - current portion	5,614,481	995,972	1,673,132	8,370
Receivables, net	831,299	18,878	423,765	62,785
Inventories	-	-	-	6,127
Prepaids	813,500	52,260	55,519	16,044
Due from the University	1,672	-	-	-
Other assets	-	-	-	-
Total current assets	13,393,375	2,793,617	5,929,476	565,931
Non-current assets				
Restricted cash and cash equivalents	4,549,278	4,998,599	1,377,448	-
Restricted investments	507,302,432	30,687,056	36,884,424	921,761
Restricted other assets	157,672,900	441,617	1,443,909	-
Receivables - long term, net	-	-	-	-
Investments	578,982	3,724,020	-	5,928,693
Pledges receivable, net	8,628,864	1,549,596	1,542,501	93,726
Capital assets, nondepreciable	9,303,667	325,127	-	-
Capital assets, net of accumulated depreciation	6,895,953	11,851	9,197	104,719
Due from the University	-	-	-	-
Other assets	1,080,298	-	-	-
Total non-current assets	696,012,374	41,737,866	41,257,479	7,048,899
Total assets	709,405,749	44,531,483	47,186,955	7,614,830
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	814,667	117,739	145,391	34,549
Deferred revenue	35,811	70,273	41,716	94,739
Deposits held in custody for others	282,747	-	19,147	-
Long-term liabilities - current portion	591,291	-	-	-
Due to the University	237,869	-	-	128
Short-term debt	272,541	-	-	-
Other liabilities	-	-	-	69,640
Total current liabilities	2,234,926	188,012	206,254	199,056
Non-current liabilities				
Other long-term liabilities	442,427	425,930	-	-
Long-term liabilities	26,911,010	-	-	-
Total liabilities	29,588,363	613,942	206,254	199,056
NET POSITION				
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	111,452,971	6,945,650	1,172,990	-
Research	6,827,554	-	618,400	-
Loans	-	-	24,230	-
Departmental uses	107,802,898	7,887,439	37,952,265	-
Other	203,576,166	-	126,448	-
Expendable:				
Scholarships and fellowships	78,210,096	6,521,728	1,307,614	-
Research	3,978,584	-	178,306	-
Capital projects	9,564,380	4,161,830	1,007,960	-
Loans	-	-	70,504	-
Departmental uses	104,464,072	12,252,496	8,467,930	1,020,008
Other	21,707,303	823,418	47,274	-
Net investment in capital assets	7,231,788	336,978	9,197	104,719
Unrestricted	25,001,574	4,988,002	(4,002,417)	6,291,047
Total net position	$ 679,817,386	$ 43,917,541	$ 46,980,701	$ 7,415,774

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 5,313,510	$ 312,931	$ 97,383	$ 5,183,324	$ 20,730,523
-	-	-	-	2,285,220
816,737	798,552	-	-	9,907,244
-	-	-	232,089	1,568,816
-	-	-	-	6,127
-	-	-	10,794	948,117
-	-	876,456	-	878,128
-	-	18,915	352,750	371,665
6,130,247	1,111,483	992,754	5,778,957	36,695,840
-	591,258	594,762	-	12,111,345
-	10,847,376	4,267,279	-	590,910,328
-	-	-	44,739	159,603,165
-	-	-	17,126	17,126
2,595,102	963,996	-	-	13,790,793
816,980	647,931	-	-	13,279,598
-	-	-	2,935,271	12,564,065
17,628	-	-	9,285,150	16,324,498
-	-	21,958,926	-	21,958,926
-	-	-	205,191	1,285,489
3,429,710	13,050,561	26,820,967	12,487,477	841,845,333
9,559,957	14,162,044	27,813,721	18,266,434	878,541,173
-				
-	5,384	230,657	46,929	1,395,316
250	-	72,107	5,423	320,319
-	-	-	-	301,894
-	-	659,024	253,482	1,503,797
-	-	-	-	237,997
-	-	-	-	272,541
-	-	-	-	69,640
250	5,384	961,788	305,834	4,101,504
-	-	-	15,289	883,646
-	-	21,958,926	7,510,293	56,380,229
250	5,384	22,920,714	7,831,416	61,365,379
-	2,568,502	3,174,726	-	125,314,839
-	2,494,751	-	-	9,940,705
-	-	-	-	24,230
-	1,099,400	-	-	154,742,002
-	3,098,355	-	-	206,800,969
610,977	636,803	-	-	87,287,218
-	820,912	-	-	4,977,802
-	-	-	-	14,734,170
-	-	-	-	70,504
6,727,480	2,090,408	-	-	135,022,394
-	8,841	1,687,315	397,489	24,671,640
17,628	-	-	4,615,249	12,315,559
2,203,622	1,338,688	30,966	5,422,280	41,273,762
$ 9,559,707	$ 14,156,660	$ 4,893,007	$ 10,435,018	$ 817,175,794

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

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
Operating revenues:				
Gifts and contributions	$ 8,498,098	$ 3,630,532	$ 4,327,844	$ 913,854
Other	4,859,634	833,067	4,124,151	1,008,086
Total operating revenues	13,357,732	4,463,599	8,451,995	1,921,940
Operating expenses:				
Instruction	4,236,309	1,406,761	604,445	-
Research	268,403	-	467,582	-
Public service	60,916	133,070	434,085	-
Academic support	1,621,345	1,359,026	2,180,657	-
Student services	243,587	41,008	587,276	-
Institutional support	11,386,658	517,669	3,586,755	226,817
Operation and maintenance of plant	450,471	563,828	13,648	-
Scholarships & fellowships	7,817,544	2,179,262	428,613	-
Auxiliary enterprises	745,195	-	21,682	-
Depreciation	527,027	8,999	4,763	15,959
Hospitals	-	-	-	-
Independent operations	-	-	-	-
Other	16,792,203	-	397,838	1,771,289
Total operating expenses	44,149,658	6,209,623	8,727,344	2,014,065
Operating gain/(loss)	(30,791,926)	(1,746,024)	(275,349)	(92,125)
Non-operating revenues and expenses:				
Net investment revenue (expense)	(11,107,346)	(831,425)	(834,886)	(120,054)
Interest on capital asset related debt	(258,838)	-	-	-
Other non-operating revenue	23,287,784	-	-	-
Other non-operating expense	-	-	(13,161)	-
Net non-operating revenues	11,921,600	(831,425)	(848,047)	(120,054)
Income before other revenues	(18,870,326)	(2,577,449)	(1,123,396)	(212,179)
Other revenues:				
Capital grants and contributions	5,509,082	-	43,625	-
Additions to permanent endowments	7,368,846	815,671	1,891,313	-
Net other revenues	12,877,928	815,671	1,934,938	-
Change in net position, before transfers	(5,992,398)	(1,761,778)	811,542	(212,179)
Contribution between Foundations	185,891	27,642	1,030	151,305
Transfers	185,891	27,642	1,030	151,305
Change in net position	(5,806,507)	(1,734,136)	812,572	(60,874)
Net position - beginning of year	685,623,893	45,651,677	46,168,129	7,476,648
Net position - end of year	$ 679,817,386	$ 43,917,541	$ 46,980,701	$ 7,415,774

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 4,372,845	$ 1,035,412	$ 98,336	$ 713,750	$ 23,590,671
494,758	-	777,982	1,127,597	13,225,275
4,867,603	1,035,412	876,318	1,841,347	36,815,946
-	115,478	-	-	6,362,993
-	455,001	-	-	1,190,986
-	16,548	-	-	644,619
-	10,500	-	-	5,171,528
-	-	-	-	871,871
742,055	359,668	81,884	289,758	17,191,264
-	6,306	-	-	1,034,253
-	90,729	206,183	-	10,722,331
5,136,253	-	-	292,584	6,195,714
19,617	-	-	283,546	859,911
-	-	-	-	-
-	-	-	414,708	414,708
-	127,474	1,078,633	-	20,167,437
5,897,925	1,181,704	1,366,700	1,280,596	70,827,615
(1,030,322)	(146,292)	(490,382)	560,751	(34,011,669)
51,388	(286,683)	(131,868)	12,750	(13,248,124)
-	-	-	-	(258,838)
-	-	-	-	23,287,784
-	-	-	-	(13,161)
51,388	(286,683)	(131,868)	12,750	9,767,661
(978,934)	(432,975)	(622,250)	573,501	(24,244,008)
-	-	-	-	5,552,707
-	1,540,907	27,694	-	11,644,431
-	1,540,907	27,694	-	17,197,138
(978,934)	1,107,932	(594,556)	573,501	(7,046,870)
(79,630)	-	12,803	(299,041)	(0)
(79,630)	-	12,803	(299,041)	(0)
(1,058,564)	1,107,932	(581,753)	274,460	(7,046,870)
10,618,271	13,048,728	5,474,760	10,160,558	824,222,664
$ 9,559,707	$ 14,156,660	$ 4,893,007	$ 10,435,018	$ 817,175,794

Investments

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

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Mutual and money market funds	$ 4,672,508	$ 245,760	$ -	$ 6,850,454	$ 16,774	$ -	$ 3,749,060	$ 15,534,556
U.S. treasury and agency securities	19,366,271	-	-	-	-	-	-	19,366,271
Common and preferred stocks	340,799	-	649,250	-	-	-	518,219	1,508,268
Notes receivable	1,875,000	-	-	-	-	-	-	1,875,000
Pooled investments	482,212,453	34,165,316	35,758,230	-	-	11,811,372	-	563,947,371
Real estate	987,982	-			35,000	-	-	1,022,982
Other	711,621	-	476,944	-	2,543,328	-	-	3,731,893
Total Investments	$ 510,166,634	$ 34,411,076	$ 36,884,424	$ 6,850,454	$ 2,595,102	$ 11,811,372	$ 4,267,279	$ 606,986,341

Pledges Receivable

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

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association Foundation	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Total
Total pledges receivable	$ 15,297,672	$ 2,841,488	$ 3,317,181	$ 102,096	$ 2,250,519	$ 1,465,273	$ 25,274,229
Less:							
Allowance for uncollectibles	(641,890)	(209,464)	(21,345)	-	(494,752)	-	(1,367,451)
Discounting to present value	(412,437)	(86,456)	(80,203)	-	(122,050)	(18,790)	(719,936)
Net pledges receivable	14,243,345	2,545,568	3,215,633	102,096	1,633,717	1,446,483	23,186,842
Less:							
Current pledges receivable	(5,614,481)	(995,972)	(1,673,132)	(8,370)	(816,737)	(798,552)	(9,907,244)
Total non-current pledges receivable	$ 8,628,864	$ 1,549,596	$ 1,542,501	$ 93,726	$ 816,980	$ 647,931	$ 13,279,598

Capital Assets

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:							
Land	$ 3,365,927	$ 262,916	$ -	$ -	$ -	$ 2,935,271	$ 6,564,114
Historical treasures and inexhaustable works of art	5,937,740	62,211	-	-	-	-	5,999,951
Total nondepreciable capital assets	$ 9,303,667	$ 325,127	$ -	$ -	$ -	$ 2,935,271	$ 12,564,065
Depreciable:							
Building	$ 7,420,855	$ -	$ -	$ 384,914	$ -	$ 10,360,462	$ 18,166,231
Equipment, vehicles and furniture	7,377,037	108,945	111,063	425,324	108,056	180,184	8,310,609
Improvements, other than building	338,138	-	-	-	-	-	338,138
	15,136,030	108,945	111,063	810,238	108,056	10,540,646	26,814,978
Less accumulated depreciation	(8,240,077)	(97,094)	(101,866)	(705,519)	(90,428)	(1,255,496)	(10,490,480)
Total depreciable capital assets	$ 6,895,953	$ 11,851	$ 9,197	$ 104,719	$ 17,628	$ 9,285,150	$ 16,324,498

Long-term Liabilities

	The College of William & Mary Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Compensated absences	$ 119,547	$ -	$ -	$ 119,547
Notes payable	1,477,717	-	3,387,558	4,865,275
Bonds payable	8,042,981	22,617,950	4,376,217	35,037,148
Trust & Annuity Obligations	2,777,472	-	-	2,777,472
Other liabilities	15,084,584	-	-	15,084,584
Total long-term liabilities	27,502,301	22,617,950	7,763,775	57,884,026
Less current portion	(591,291)	(659,024)	(253,482)	(1,503,797)
Total long-term liabilities	$ 26,911,010	$ 21,958,926	$ 7,510,293	$ 56,380,229

Long-term Liabilities

On June 25, 2001, Reliance entered into a revolving line of credit agreement with First Union National Bank (now Wells Fargo Bank, NA) in the amount of $2,000,000, which the Foundation guaranteed. The purpose of the line of credit was to fund the initial purchase of the real estate sold to New Town Associates, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the REF, and the majority of the interest on the note is reflected as expenses of the REF. The line of credit has been increased to $3,000,000 with all principal and accrued interest due and payable on June 29, 2014. On June 29, 2014 the amount available under the line of credit was reduced to $2,145,000 and the due date was extended to June 29, 2015. On June 29, 2015, the total amount available under the line of credit was reduced to $1,300,000 and the due date was extended to June 29, 2016. On June 24, 2016 the due date was extended to August 29, 2016. Interest only, which accrues daily at the one month LIBOR Market Index Rate plus 1.35%, is payable monthly. The amount outstanding was $272,541 at June 30, 2016 and $1,247,541 at June 30, 2015. Interest paid during the years ended June 30, 2016 and 2015, was $10,769 and $28,022, respectively. The outstanding balance was paid in full on July 19, 2016.

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing arrangement with SunTrust Bank in the amount of $2,636,140 for renovation of the College's Admissions Office. The terms of the loan were revised during the fiscal year ended June 30, 2011. Under the revised terms, interest accrues at a rate of 4.99% and is payable monthly. Principal is payable annually over a ten year term, with the final amount due on February 1, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. The balance outstanding at June 30, 2016 and 2015 was $1,477,717 and $1,732,487, respectively. Interest paid during the fiscal years ended June 30, 2016 and 2015, on the loans was $83,618 and $95,892, respectively.

During the year ended June 30, 2011, the Foundation and CEI entered into a joint borrowing arrangement with SunTrust Bank to fund expansion of the telecommunications system. The agreement provided for loan draws up to the amount of $1,450,000 through August 7, 2011. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. Interest at a rate of 3.97% is payable monthly. Principal is payable annually over a five year term, with the final amount due January 15, 2016. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The balance outstanding at June 30, 2016 and 2015 was $0 and $313,000, respectively. Interest paid during the fiscal years ended June 30, 2016 and 2015, on the loans was $7,387 and $18,661, respectively.

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

Bonds Payable

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

The total issuance costs in the amount of $85,488 were incurred and are being amortized over a term of ten years, which is the first optional put date for the 2011 bonds. Unamortized bond issuance costs are deducted directly from the face amount of the bonds.

The Foundation is in compliance with all bond covenants.

MARSHALL-WYTHE SCHOOL OF LAW FOUNDATION

Law Library Bond Issuance

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

Bond payments made to the College totaled $563,828, including principal and interest, in 2016 and are included in law school bond payments on the Foundation's statement of activities.

WILLIAM AND MARY BUSINESS SCHOOL FOUNDATION

Commitments and Contingencies

On January 31, 2007, the Foundation entered into a Development Agreement and a Reimbursement Agreement (Agreements) with the College of William and Mary (College), in connection with the construction and equipping of a new academic building, Alan B. Miller Hall, for the College's Raymond A. Mason School of Business (Project). The total cost of the Project was approximately $75 million. In order to finance the cost of construction and equipping the building, two bond series were issued by the College - 2007 Series A bonds for $23,350,000, and 2009 Series A bonds for $23,350,000.

By the terms of the bond issue, the Foundation has no direct obligation for payment of the 2007 Series A bonds. By the terms of the Reimbursement Agreement, the Foundation must reimburse the College for all debt service due on the 2009 Series A bonds and all related fees due and payable with respect to the bonds after their issuance. In addition, the Foundation has pledged as security for the payments all of its assets that are not subject to donor or other legal restrictions, as defined in the Reimbursement Agreement.

The payments required under the Reimbursement Agreement constituted an unconditional promise to give to the College. A liability was recorded for the present value of the principal and interest to be paid to the College. The Foundation paid to the College $102,900 in interest payments and $5,045,000 in principal during 2016. The final payment of $5,147,900 was paid to the College in August 2015.

The Foundation is primarily using funds from donations that were specifically designated for the repayment of the 2009 Series A Bonds to reimburse the College for the debt service on these bonds. Due to the timing of the collections of donations and pledge payments, the Foundation's Executive Committee authorized certain borrowings to fund the debt service on these bonds. A donor has agreed to allow up to $5,000,000 of permanently restricted net assets to be used to pay the obligation to the College on the condition that this money would be repaid to the permanently restricted funds. This money was borrowed in 2016. Additionally, the Executive Committee authorized the borrowing of temporarily restricted funds held in WAMIT in the amount of $1,330,000 on July 8, 2015 in order to provide the necessary liquidity to make the final payment to the College in August of 2015 related to the construction of Alan B. Miller Hall. These funds will be repaid to the temporarily restricted funds as related pledge payments are collected. As of the year ended June 30, 2016, $644,709 of this amount has been repaid and a remaining balance due of $655,291 will be repaid in future years as pledges are collected.

RICHARD BLAND COLLEGE FOUNDATION, INC.

Bonds Payable

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

Investment in Direct Financing Lease

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

WILLIAM & MARY REAL ESTATE FOUNDATION

Tribe Square

The Foundation develops and owns a mixed use property known as Tribe Square, which consists of one floor retail space and two floors student housing. Construction was completed and the building was put into service during 2012. The Foundation is party to a commercial management agreement dated December 6, 2010 with an agent to manage the property on behalf of Tribe Square, LLC. The agreement is for a one-year term ending July 31, 2012, and continuing on an annual basis unless and until terminated by either party. The services to be provided by the agent include the operation and maintenance of the property, as well as financial duties as defined in the agreement. The management fee paid to the agent will be $20,940 per annum. The Foundation has executed two lease agreements for tenants in the first floor retail area at June 30, 2016. The student housing space is being leased to the College.

The Foundation leases the Tribe Square student housing to the College pursuant to a lease agreement dated August 1, 2011 for a five-year term ending June 30, 2016, with an automatic renewal for an additional five-year term ending on June 30, 2021. Annual base rent is $459,816, payable in two equal installments, with the first installment due on the commencement date, and each semi-annual installment thereafter due on September 1 and March 1 of each lease year. The base rent may be increased annually by a percentage equal to the increase in the Consumer Price Index. In no event shall the base rent be less than the base rent payable for the preceding year. Rental income received under this lease was $486,533 and $486,047 for 2016 and 2015, respectively.

Discovery II

During 2013, the Foundation purchased property held and referred to as Discovery II. The property is being leased to the College for use as office space under an agreement with an initial lease term ending June 30, 2018.

The Foundation entered into a commercial management agreement dated April 11, 2013 with an agent to manage the property on behalf of the Foundation. The agreement is for a one-year term ending on March 31, 2014, and continuing on an annual basis unless and until terminated by either party. The services to be provided by the agent include the operation and maintenance of the property, as well as financial duties as defined in the agreement. The management fee paid to the agent will be $10,800 per annum.

Beginning in 2013, the Foundation began leasing the Discovery II office space to the College. The Foundation entered into a lease agreement with the College dated May 18, 2013 for a sixty-two month term commencing May 1, 2013 and ending June 30, 2018 with the right to renew the lease for up to five additional consecutive one-year terms. Annual base rent is $382,200, payable in 12 equal installments, with the first installment due on the commencement date, and each monthly installment thereafter due on the first business day of the month. The base rent may be increased annually by two percent. Rental income received under this lease was $397,641 and $389,844 for 2016 and 2015, respectively.

Richmond Road

The Foundation leases office space at 327 Richmond Road in Williamsburg, Virginia to the College under a five-year lease with the initial term beginning on January 1, 2011 and terminating on December 31, 2016. The lease will automatically renew for an additional five years at the end of the initial term. Rental income under this lease agreement was $33,452 during both 2016 and 2015. The rate remains the same throughout lease term.

Bonds Payable

The Foundation obtained a tax-exempt student housing facilities revenue bond, dated September 16, 2011, twenty-five (25) year term. The bond bears interest at a fixed rate of 3.75%. Required monthly payments of principal and interest total $25,855. The outstanding principal balance is $4,376,217 at June 30, 2016.

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

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

Promissory Note

The Foundation obtained a promissory note, dated June 3, 2013, ten (10) year term. The note bears interest at a fixed rate of 3.22%. Required monthly payments of principal and interest total $18,007. The outstanding principal balance is $3,387,558 at June 30, 2016.

The promissory note was issued through a private lender for a principal amount of $3,689,000. The proceeds of this note were used to finance the costs to acquire Discovery II, and pay certain expenses of issuing the note. The note is secured by the rents and revenues of Discovery II, and the property itself. A balloon payment in the amount of $2,570,410 is due at note maturity on June 1, 2023. Prepayments made within the first thirty-six months of the loan are subject to a penalty of 1% of the prepayment amount.

Demolition Loans

The Foundation obtained demolition loans, dated February 15, 2013, secured by deed of trust. The loans bear no interest and will be forgiven on a dollar-for-dollar basis to the extent of real estate taxes assessed on the improvements made to certain real estate. The outstanding principal balance is $0 at June 30, 2016.

14. RETIREMENT PLANS

Optional Retirement Plan

Full-time faculty and certain administrative staff may participate in a retirement annuity program through various optional retirement plans other than the Virginia Retirement System. This is a fixed-contribution program where the retirement benefits received are based upon the employer's contributions of approximately 10.4 percent or 8.50 percent depending on whether the employee is in Plan 1 or Plan 2, plus interest and dividends. Plan 1 consists of employees who became a member prior to July 1, 2010. Plan 2 consists of employees who became a member on or after July 1, 2010.

Individual contracts issued under the plan provide for full and immediate vesting of contributions of the College of William and Mary, including the Virginia Institute of Marine Science, and Richard Bland College and their employees. Total pension costs under this plan were $9,064,023 for the year ended June 30, 2016. Contributions to the optional retirement plans were calculated using the base salary amount of $92,267,935 for fiscal year 2016. The College of William and Mary, which includes the Virginia Institute of Marine Science, and Richard Bland College's total payroll for fiscal year 2016 was $206,353,158.

Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth’s Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount of the match can change depending on the funding available in the Commonwealth’s budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $744,820 for fiscal year 2016.

Summary of Significant Accounting Policies – Virginia Retirement System

Pensions

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

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

		from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

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

		Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
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** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a

		member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** 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.
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%.	**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.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for

VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	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.
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.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of

VaLORS: 50 with at least five years of creditable service.	**VaLORS:** Same as Plan 1.	creditable service. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** 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%. **<u>Eligibility:</u>** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. 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. **<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	**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%. **<u>Eligibility:</u>** Same as Plan 1 **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

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.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

<u>Contributions</u>

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2016 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan for July 2015, 13.28% for August 2015 and 14.22% for September 2015 through June 2016. For employees in the VaLORS Retirement Plan, the contribution rate was 17.67% of covered employee compensation for July 2015, 18.34% for August 2015 and 19.00% for September 2015 through June 2016. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80% and the actuarial rate for VaLORS Retirement Plan was 21.06%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88% of the actuarial rate for the year ended June 30, 2016. Additional funding provided by the General Assembly moved the contribution rates to 90% of the actuarial rate by September 2015 and for the remainder of FY 2016. Contributions from the University to the VRS State Employee Retirement Plan were $10,242,923 and $8,668,857 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions from the College to the VaLORS Retirement Plan were $196,427 and $174,908 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the University reported a liability of $114,809,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $ 1,968,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the University's proportion of the VRS State Employee Retirement Plan was 1.43% for William and Mary, 0.33% for VIMS, and 0.11% for RBC as compared to 1.35% for William and Mary, 0.32% for VIMS, and 0.11% for RBC at June 30, 2014. At June 30, 2015, the University's proportion of the VaLORS Retirement Plan was 0.24% for William and Mary, and 0.04% for RBC as compared to 0.26% for William and Mary, and 0.04% for RBC at June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of $10,148,000 for the VRS State Employee Retirement Plan and $102,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the 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	826,000	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	8,258,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,414,000	129,000
Employer contributions subsequent to the measurement date	10,242,923	-
Total	$ 17,482,923	$ 8,387,000

VaLORS Retirement Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	9,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	84,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	159,000
Employer contributions subsequent to the measurement date	196,427	-
Total	$ 196,427	$ 252,000

The College of William and Mary had $10,439,350 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

($ thousands)

	VRS Retirement Plan		VaLORS Retirement Plan	
FY 2017	$	(326)	$	(108)
FY 2018	$	(456)	$	(100)
FY 2019	$	(1,813)	$	(60)
FY 2020	$	1,448	$	16
FY 2021	$	-	$	-

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service

- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality rates:

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2015, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	$ 22,521,130	$ 1,902,051
Plan Fiduciary Net Position	16,398,575	1,191,353
Employers' Net Pension Liability (Asset)	$ 6,122,555	$ 710,698
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%	62.64%

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

Long-Term Expected Rate of Return

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

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

* Using stochastic projection results provides an expected range of real rates of return over various time horizons.

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

Discount Rate

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

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

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

($ thousands)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
The College of William and Mary proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 164,898	$ 114,809	$ 72,802

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

	(6.00%)	Rate (7.00%)	(8.00%)
The College of William and Mary proportionate share of the VaLORS Retirement Plan Net Pension Liability	$ 2,676	$ 1,968	$ 1,386

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The University reported $378,073 in payables to the VRS.

15. POST-RETIREMENT BENEFITS

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

16. CONTINGENCIES

Grants and Contracts

The University receives assistance from non-state grantor agencies in the form of grants and contracts. Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for eligible purposes. Substantially all grants and contracts are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability. As of June 30, 2016, the University estimates that no material liabilities will result from such audits.

Litigation

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

17. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

18. ADVANCE FROM THE TREASURER OF VIRGINIA

Section 4-3.02 of the Appropriation Act describes the circumstances under which agencies and institutions may borrow funds from the state treasury, including prefunding for capital projects in anticipation of bond sale proceeds and operating funds in anticipation of federal revenue. As of June 30, 2016, there was $2,004,876 in outstanding Advances from the Treasurer. These funds represent an advance to William and Mary from the Commonwealth of Virginia for working capital pending the receipt of funds from bond sale proceeds. These funds were used to renovate Zable Stadium.

	Beginning Balance	Additions	Reductions	Ending Balance
Zable Stadium	$ -	$ 2,004,876	$ -	$ 2,004,876
Total anticipation loans	-	2,004,876	-	2,004,876

19. SUBSEQUENT EVENTS

In July 2016, the Virginia College Building Authority (VCBA) closed on Educational Facilities Revenue Refunding Bonds Series 2016A. The original bonds were used to finance various dormitory, athletics and instructional facilities projects. The net proceeds from the sale of the Refunding Bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the University's portion of the liability has been removed from the financial statements.

The amount and percentage of debt defeased relating to the University is as follows:

Series	Type	Debt Outstanding	Amount Defeased	Percentage Defeased
2016A	9D	24,515,000	17,540,000	72%

In November of 2016, Treasury issued Series 2016A Commonwealth of Virginia General Obligation Bonds in which Richard Bland College was a participating institution. The College received $2,465,000 in proceeds to finance the conversion of a former humanities and social science building into student housing. The bonds were issued at a True Interest Cost of 2.458752% and will mature in 20 years.

Required Supplementary Information (RSI)
Cost-Sharing Employer Plans – VRS State Employee Retirement Plan
And VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2016

Schedule of The College of William and Mary's (CWM)
Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Years Ended June 30, 2016 and 2015*

	2016	**2015**
CWM's Proportion of the Net Pension Liability (Asset)	1.87%	1.78%
CWM's Proportionate Share of the Net Pension Liability (Asset)	114,809,000	99,411,000
CWM's Covered Payroll	70,307,029	66,605,228
CWM's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	163.30%	149.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2016 is the second 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.

Schedule of the College of William and Mary's Share of
Net Pension Liability
VaLORS Retirement Plan
For the Years Ended June 30, 2016 and 2015*

	2016	**2015**
CWM's Proportion of the Net Pension Liability (Asset)	0.28%	0.30%
CWM's Proportionate Share of the Net Pension Liability (Asset)	1,968,000	2,024,000
CWM's Covered Payroll	989,861	1,101,243
CWM's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	198.82%	183.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2016 is the second 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.

Schedule of Employer Contributions

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	10,242,923	10,242,923	-	73,645,076	13.91%
2015	8,668,857	8,668,857	-	70,307,029	12.33%

Schedule of Employer Contributions
VaLORS Retirement Plan
For the Years Ended June 30, 2015 through 2016

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions

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

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

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

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

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 8, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Board of Visitors
The College of William and Mary in Virginia

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 the College of William and Mary in Virginia, including the Virginia Institute of Marine Science and Richard Bland College (the Colleges), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Colleges' 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 Colleges, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the Colleges, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the Colleges 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 College of William and Mary in Virginia, including the Virginia Institute of Marine Science and Richard Bland College, as of June 30, 2016, 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

Correction of 2015 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2015 financial statements have been restated to correct various misstatements. 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 1 through 9, Schedules of the College of William and Mary's Share of Net Pension Liability on pages 70 and 71, the Schedules of Employer Contributions on page 72, and Notes to Required Supplementary Information on page 73* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2017, on our consideration of the Colleges' 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 Colleges' internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

EMS/alh

The College of William and Mary in Virginia
Richard Bland College

June 30, 2016

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