ACTIVATION CAPITAL

From start to phenomenal

Virginia Biotechnology Research Partnership Authority

Financial Statements—June 30, 2017

(Audited)

Comprehesive Annual Financial Report

For The

Virginia Biotechnology Research Partnership Authority

Including its Blended Component Unit
Virginia Biotechnology Research Park Corporation

A Component Unit of the Commonwealth of Virginia

(Audited)
For The Fiscal Year Ended
June 30, 2017

ACTIVATION CAPITAL
From start to phenomenal

VA BIO+TECH PARK

Prepared by the Director of Business Development and Administration of the Virginia Biotechnology Research Partnership Authority

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VA BIO+TECH PARK

September 2017

Dear Board Members and Stakeholders:

Richmond is on the rise.

Stories about our innovative spirit and entrepreneurial success are spreading, with accolades pouring in from all corners of the country.

The world is realizing what we already know: The RVA innovation culture is extraordinary. It's up to us to continue to nourish and promote it so more people will want to start here and scale here.

The 2016-2017 fiscal year has brought about many changes at the Virginia Bio+Tech Park with the implementation of the new ecosystem brand, Activation Capital, and the update of the Virginia Biotechnology Research Park to the VA Bio+Tech Park. The Activation Capital captures all of the activities occurring and promotes the region by providing a front door for startups and founders.

Activation Capital aims to engage and connect the many influential players in our innovation ecosystem with makers, do-ers, innovators and entrepreneurs who produce fresh thinking and new ideas every day. We provide startup founders with access to everything they need to navigate the entrepreneurial process – from mentoring to physical space to financing.

The Activation Council (formerly The Innovation Council) supports and coordinates these efforts among the many available resources to foster innovation in companies of all kinds. They bring clarity and perspective in the short term and vision for the long term, which generates more collision points leading to successful business outcomes.

Along with the branding updates, the VA Bio+Tech Park has been bustling with activity. Since July, we have had two companies graduate from the Bio+Tech Center including Cupron, a copper-based antimicrobial technology company who moved to a large warehouse space in eastern Henrico County, and C2 Fuels, a company commercializing a patented extraction method for waste biomass to produce high-value liquids for electricity production and solids for animal feed, who relocated to Charlottesville.

Additionally, we have had three new companies join as residents of the Park including: Wynnvision, a biomedical nanofilms company dedicated to the prevention of medical device-acquired infections and significantly reducing the pain and suffering of patients and the excessive costs borne by the health system due to infections acquired via catheters and other devices, who received a $1.5 million SBIR grant from the National Institutes of Health; Chalant Health, a company providing telehealth devices, software and services; and Skanska, a construction company working on the Department of Forensic Science expansion.

Many Bio+Tech Center companies experienced growth in the past fiscal year resulting in expansions due to increased activity. In April, Nutriati closed an $8 million round of funding which will allow for them to focus on the commercialization of their chickpea protein. Affinity

Molecules went from being a virtual resident to occupying space in our Shared Lab and both RVA Yeast Labs and Empriza moved into larger wet lab space. DNARx, Empriza and Thermal Gradient grew with the hiring of new staff and Thermal Gradient also raised $614,000 of venture funding in January 2017.

The VA Bio+Tech Park also was able to place fourteen interns ranging from high school to postgraduate students in labs located in the VCU Engineering School and three of our companies: Thermal Gradient, DNARx and RVA Yeast Labs. In addition to working with local students, we have partnered with the Virginia Economic Development Partnership and the Greater Richmond Partnership, hosting prospective companies from around the world, including Korea, Germany, and the United Kingdom, amongst others.

Along with the work we are doing within the 34 acres of the Park campus, we have been active in the region, promoting the innovation and entrepreneurial ecosystem through affiliate programs we manage and events we sponsor.

In May, for a second time, the Richmond chapter of SCORE supported the finals of their business model canvas competition at the Bio+Tech Park. This event showcased three companies local to the region and the winner was given a $5,000 prize and office space at the Richmond Times-Dispatch.

At our satellite location in Ashland, the Dominion Energy Innovation Center, we purchased a 3D printer and instructional classes have been held for the residents of the Center. Resident companies have been able to take advantage of this technology without any of the costs usually associated with purchasing such a significant piece of equipment. Additionally, the Center welcomed one new company, Ivy Oaks Analytics, a startup aiming to make outdoor recreation safer through modernized techniques.

Finally, the Authority supports the Lighthouse Labs accelerator, including hiring a full-time program manager in August 2016. During the 2016 cohort of the program $140,000 was awarded to seven companies who spent three months learning lean business techniques to grow their startups. GOGO BAND, a startup developing a wearable, biometric device to help detect a chronic health condition in children and located at the Dominion Energy Innovation Center, was one of the companies participating in the accelerator. They received packaging and technology mentorship from Altria and Capital One respectively, were the first private company to participate in VCU's DaVinci Center Capstone Program and Brand Center Programs, and also were able to secure over $750,000 through a capital raise and grants. Our support of Lighthouse allows for the donations received to directly support the program, providing a significant benefit to the entrepreneurial ecosystem in the Richmond region.

Our region is becoming known as the hub for all things innovative and as an environment where entrepreneurs and disruptive companies thrive. We want Activation Capital, and the Virginia Bio+Tech Park as a partner in the Activation Capital, to be known as the place where any person with an idea can come to find resources needed to take an idea from start to phenomenal.

Carrie Roth
President/CEO

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY

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Carrie Roth

Officers to the Board

Joy P. Edgett, Treasurer
Sara Maddox, Assistant Secretary to the Board

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President and CEO

Carrie Roth

Officers to the Board

Joy P. Edgett, Treasurer
Sara Maddox, Assistant Secretary to the Board

FINANCIAL INFORMATION

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 13, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Board Members
Virginia Biotechnology Research Partnership Authority Board
Virginia Biotechnology Research Park Corporation Board

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the **Virginia Biotechnology Research Partnership Authority**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Biotechnology Research Partnership Authority as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 12 through 17, the Schedule of Changes in Net Pension Asset and Related Ratios on page 54, the Schedule of Employer Contributions on page 55, and the Notes to Required Supplementary Information on page 56 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 November 13, 2017, on our consideration of the **Virginia Biotechnology Research Partnership Authority's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

ZLB/alh

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Our discussion and analysis of the Virginia Biotechnology Research Partnership Authority's (the "Authority") financial performance provides a narrative introduction, an overview of the Authority's financial activities as of, and for, the fiscal year ended June 30, 2017, with selected comparative information for the fiscal year ended June 30, 2016. It should be read in conjunction with the Authority's accompanying financial statement and notes to financial statements.

ABOUT THE AUTHORITY

The Virginia Biotechnology Research Partnership Authority was established in 1993 as an Authority of the Commonwealth of Virginia to disseminate knowledge pertaining to scientific and technological research and development among public and private entities, including but not limited to biotechnology, by promoting scientific research and economic development through the attraction and creation of new jobs and companies. In order to facilitate and coordinate scientific and technological research and development, the Authority promotes the industrial and economic development of the Virginia Biotechnology Research Park (VA BIO+TECH PARK) and the Commonwealth, and also has authority for financing construction through bonds and other authorized means. The Authority does not have taxing powers. Operations are funded from lease and ancillary service revenues, bond issuances, long-term notes payable, line of credit debt, and community development fees.

The VA BIO+TECH PARK is a life sciences community adjacent to the Virginia Commonwealth University (VCU) Medical Center – and is home to approximately 70 private and non-profit companies, state and federal laboratories, and research institute/administrative functions of VCU and VCU Health, filling nearly 1,100,000 square feet of laboratory and office space in seven buildings and employing approximately 2,400 researchers, scientists, engineers and support personnel on a 34-acre campus in downtown Richmond, Virginia. The VA BIO+TECH PARK partners with neighboring Chesterfield, Hanover and Henrico Counties to extend the reach of the VA BIO+TECH PARK for sites that may accommodate larger companies on suburban campuses in the Greater Richmond area. The Dominion Energy Innovation Center located in the Town of Ashland is an affiliate of the VA BIO+TECH PARK. The staff of the Authority manages the daily operations of the VA BIO+TECH PARK.

The Virginia Biotechnology Research Park Corporation (Corporation) was established in 1992 as an Internal Revenue Code Section 501(c) (3) corporation, and is organized and operated exclusively for scientific, educational and charitable purposes. The Authority and the Corporation have a financial and operational relationship requiring the Corporation's financial statements to be blended into the Authority's financial statements (Blended Component Unit). Condensed combining statements are presented in the notes to the financial statements.

OVERVIEW OF ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the financial condition and performance of the Authority. The financial statements of the Authority are presented using the accrual method of accounting. The financial statements themselves consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the Authority including information about the type and amount of resources and obligations on June 30, 2017. The Statement of Revenues, Expenses, and Changes in Net Position present the results of the Authority's operating and non-operating activities and provide information as to changes to the net position. The Statement of Cash Flows presents changes in cash and cash equivalents, as a result of operational, non-operational, and financing activities.

The Notes to the Financial Statements provide required disclosures and other pertinent information necessary to provide a reader of the financial statements a complete understanding of the data being presented. The notes are comprised of information about the Authority's accounting policies, significant account balances, obligations, commitments, contingencies, and subsequent events.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

The Statement of Net Position presents the consolidated financial position of the Authority and Corporation at the end of the fiscal year. The statement includes all assets and liabilities of the Authority and its component unit. Net position is an indicator of the current fiscal health of the organization and the Authority's financial position over time.

A condensed summary of consolidated assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2017 and 2016, respectively, follows:

Statements of Net Position as of June 30, 2017 and 2016

	2017	2016	Value of Change	Percentage Of Change
Assets:				
Current and other assets	$ 33,375,666	$ 35,927,686	$ (2,552,020)	(7%)
Capital assets, net	3,558,847	3,427,942	130,905	4%
Total assets	36,934,513	39,355,628	(2,421,115)	(6%)
Deferred outflows of resources:				
Deferred pension contributions	2,978	24,347	(21,369)	(88%)
Deferred pension liability experience	65,455	18,772	46,683	249%
Deferred amount on refunding	1,188,429	1,438,625	(250,196)	(17%)
Total deferred outflows of resources	1,256,862	1,481,744	(224,882)	(15%)
Liabilities:				
Current and other liabilities	4,544,517	4,055,284	489,233	12%
Long-term liabilities	18,595,811	22,769,958	(4,174,147)	(18%)
Total liabilities	23,140,328	26,825,242	(3,684,914)	(14%)
Deferred inflows of resources:				
Deferred pension investment experience	-	51,948	(51,948)	(100%)
Net position:				
Net investment in capital assets	3,558,847	3,427,942	130,905	4%
Restricted for pensions	243,396	344,794	(101,398)	(29%)
Restricted for donor purposes	110,084	184,444	(74,360)	(40%)
Unrestricted	11,138,720	10,003,002	1,135,718	11%
Total net position	$ 15,051,047	$ 13,960,182	$ 1,090,865	8%

The seven percent decrease in current assets is due principally to payments received on the lease receivable and the four percent increase in capital assets is due to our branding effort and leasehold improvements. Deferred pension contributions decreased eighty eight percent due to our previous year asset balance, and deferred pension liability increased two hundred and forty-nine percent. Total liabilities decreased fourteen percent mainly from scheduled payment made toward the outstanding bond.

Net investment in capital assets represents the land, equipment and lease receivable, less the related debt outstanding used to acquire those capital assets. The balance is relatively flat year over year, as the lease receivable declines as the bond payment is made. Restricted represents resources – principally cash and investments – subject to external restrictions on how they can be used. Net position restricted for pensions of $243,396 reflects the asset balance the Authority maintains and is discussed in further detail in the notes to the financials. Net position restricted for donor purposes of $110,084 is for the Corporation's administration of the Lighthouse Labs program. The remaining unrestricted net position may be used to fund the Authority's other ongoing obligations and initiatives.

Statement of Revenues, Expenses, and Changes in Net Position

All of the current year's revenues and expenses are accounted for in the Statement of

Revenues, Expenses, and Change in Net Position. This statement measures the success of the Authority's operations and can be used to determine whether the Authority's fiscal condition has improved or worsened during the year. A summary of the Authority and its Component Unit revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016 are as follows:

Statements of Revenues, Expenses, and Changes in Net Position
for the years ended June 30, 2017 and 2016

	2017	2016	Value of Change	Percentage Of Change
Operating revenues:				
Rental income	$ 341,148	$ 341,673	$ (525)	(0%)
Parking income	368,840	383,257	(14,417)	(4%)
Community development fees	290,430	279,788	10,642	4%
Business support services	21,043	34,870	(13,827)	(40%)
Program revenues and contributions	218,440	402,865	(184,425)	(46%)
Other income	40,510	20,773	19,737	95%
Total operating revenues	1,280,411	1,463,226	(182,815)	(12%)
Operating expenses:				
Salaries and benefits	636,415	560,835	75,580	13%
Marketing and promotion	103,721	85,098	18,623	22%
Occupancy costs	79,891	96,271	(16,380)	(17%)
Administrative	102,651	66,785	35,866	54%
Program expenses	292,800	250,484	42,316	17%
Depreciation expense	13,066	37,932	(24,866)	(66%)
Total operating expenses	1,228,544	1,097,405	131,139	12%
Operating income	51,867	365,821	(313,954)	(86%)
Non-operating revenues and expenses	1,038,998	686,806	352,192	51%
Change in net position	1,090,865	1,052,627	38,238	4%
Net position - beginning of year	13,960,182	12,907,555	1,052,627	8%
Net position - end of year	$ 15,051,047	$ 13,960,182	$ 1,090,865	8%

Operating revenues decreased 12 percent and operating expenses increased 12 percent from the prior fiscal year due to an addition of one staff member to the Authority to support Lighthouse Labs and the Corporation's administrative activity to support Lighthouse Labs and SCORECard programs bringing revenues and contributions just over $218,000 and program expenses of just over $292,000. Non-operating revenues value of change increased 51 percent due to the investment in Commonfund.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides insight as to the major sources and uses of cash applicable to the fiscal year. A condensed summary of the Statement of Cash Flows for the Authority and its Component Unit for the fiscal years 2017 and 2016 respectively follows:

Condensed Statements of Cash Flows
for the years ended June 30, 2017 and 2016

	2017	2016	Value of Change	Percentage Of Change
Cash flows from operating activities	$ 382,206	$ 371,447	$ 10,759	3%
Cash flows from non-capital financing activities	233,608	242,127	(8,519)	(4%)
Cash flows from capital and related financing activities	(143,971)	(11,152)	(132,819)	(1,191%)
Net increase in cash and cash equivalents	471,843	602,423	(130,580)	(22%)
Beginning of year	4,345,530	3,743,107	602,423	16%
End of year	$ 4,817,373	$ 4,345,530	$ 471,843	11%

Cash flow from operating activities increased from operating revenues from the Authority and funds received from donors for the Corporation programs. Cash flow from non-capital financing activities declined from reduced distributions received from Partnership investments. Cash flows from capital and related financing activities were from assets purchased. Overall available cash and cash equivalents increase from approximately $4.4 million at the end of 2016 to approximately $4.8 million at the end of 2017. Of which, $110,084 is restricted for designated programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2017, amounted to $3.6 million (net of accumulated depreciation). This investment in capital assets primarily includes land and equipment.

Long-Term Debt

At June 30, 2017, the Authority had $18.6 million in long-term bond debt, excluding current maturities.

The Authority's Lease Revenue Refunding bonds were issued in 2009 for $36.7 million. Proceeds were used to refund a portion of the Authority's Lease Revenue bonds issued in 2001, which were paid in full fiscal year 2012. The 2009 bonds carry an AA+ rating from Standard and Poor's, Aa1 rating from Moody's Investor Services and AA+ rating from Fitch Rating, Inc. The balance excluding current maturities at June 30, 2017, was $23.8 million.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money we receive. If you have any questions about this report or need additional financial information, please contact the Authority's Director of Business Development and Administration at 800 East Leigh Street, Richmond, VA 23219, (804) 828-0963.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

STATEMENT OF NET POSITION

As of June 30, 2017

ASSETS	
Current assets:	
Cash and cash equivalents (Note 1 & 2)	$ 842,539
Cash with Local Government Investment Pool (Note 2)	3,974,834
Accounts receivable, net	6,055
Prepaid expenses	40,385
Net investment in lease receivable - current portion (Note 5)	3,815,000
Total current assets	8,678,813
Non-current assets, net of depreciation:	
Net investment in lease receivable (Note 5)	17,245,000
Net Pension Asset (Note 8)	243,396
Investment in Biotech 8 LLC (Note 15)	872,384
Investment in Bioling LLC (Note 15)	38,934
Investment in other partnerships (Note 15)	55,625
Commonfund Investments (Note 2 & 14)	6,241,514
Non-depreciable capital assets (Note 4)	3,369,446
Depreciable capital assets, net of accumulated depreciation (Note 1 & 4)	189,401
Total non-current assets	28,255,700
Total assets	36,934,513
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension contributions (Note 1 & 8)	2,978
Deferred pension liability experience (Note 1 & 8)	65,455
Deferred amount on bond refunding (Note 1)	1,188,429
	1,256,862
LIABILITIES	
Current liabilities:	
Accounts payable	23,110
Customer deposit	5,414
Unearned Revenue	350,077
Long-term debt - current portion (Note 7)	4,165,916
Total current liabilities	4,544,517
Non-current liabilities:	
Long-term debt (Note 7)	18,560,935
Compensated absences (Note 1 & 7)	34,876
Total non-current liabilities	18,595,811
Total liabilities	23,140,328
NET POSITION	
Net investment in capital assets	3,558,847
Restricted for pensions	243,396
Restricted for designated programs	110,084
Unrestricted	11,138,720
Total net position	$ 15,051,047

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2017

Operating revenues:	
Rental income	$ 341,148
Parking income	368,840
Community development fees	290,430
Business support services	21,043
Program revenues and contributions (Corporation)	218,440
Other income	40,510
Total operating revenues	1,280,411
Operating expenses:	
Salaries and benefits	636,415
Marketing and promotion	103,721
Occupancy costs	79,891
Administrative	102,651
Program expenses (Corporation)	292,800
Depreciation expense (Note 4)	13,066
Total operating expenses	1,228,544
Income from operations	51,867
Non-operating revenue/(expenses):	
Interest revenue	1,088,150
Interest expense	(987,430)
Commonfund Investments	706,400
Gain from Biotech Eight LLC (Note 15)	221,145
Gain from Bioling LLC (Note 15)	10,733
Total non-operating activity	1,038,998
Change in net position	1,090,865
Net position - 6/30/16	13,960,182
Net position - 6/30/17	$ 15,051,047

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

		Total
Cash flows from operating activities:		
Cash received from rent	$	333,499
Cash received from parking		369,222
Cash received from community development fees		290,430
Cash received from business support services		20,043
Cash received from miscellaneous income		40,462
Cash received from donors		487,365
Payments for personnel expenses		(621,962)
Payments for marketing expenses		(138,758)
Payments for occupancy expenses		(80,108)
Payments for administrative expenses		(106,828)
Payments for program services		(211,159)
Net cash provided by operating activities		382,206
Cash flows from non-capital financing activities:		
Cash received from tenant financing arrangements		3,192
Distributions received from Biotech 8 LLC		219,776
Distributions received from Bioling LLC		10,640
Net cash provided by noncapital financing activities		233,608
Cash flows from capital and related financing activities:		
Purchase of capital assets		(143,971)
Net increase in cash		471,843
Cash and cash equivalents - 6/30/16		4,345,530
Cash and cash equivalents - 6/30/17	$	4,817,373

		Total
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	$	51,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense		13,066
Increase in operating accounts receivable		(505)
Increase in prepaid expenses		(37,360)
Decrease increase in accounts payable		(1,660)
Decrease in customer deposits		(5,571)
Increase in unearned revenue		346,464
Decrease in leave accrual		(8,231)
Decrease in net pension asset and related deferred inflows/outflows of resources		24,136
Net cash provided by operating activities	$	382,206

NOTES TO FINANCIAL STATEMENTS

(Including Blended Component Unit Virginia Biotechnology Research Park Corporation)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Virginia Biotechnology Research Partnership Authority (Authority), which began operations effective July 1, 1993, provides a mechanism for financing construction of the VA BIO+TECH PARK through bond issuances and other approved means.

The Authority is responsible for developing, leasing, operating, managing, and maintaining the VA BIO+TECH PARK properties and grounds, as well as oversight of contractors.

The Authority is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth. A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

The accompanying annual financial report includes the financial activities of the Authority, and its component unit. Financial information for the Authority and the component unit is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Government Accounting Standards Board.

Blended Component Unit

The Virginia Biotechnology Research Park Corporation (the Corporation) is an Internal Revenue Code Section 501(c)(3) corporation and is organized and operated exclusively for scientific, educational, and charitable purposes. The Authority and the Corporation have a financial and operational relationship that requires the Corporation's financial statements be blended into the Authority's financial statements. Condensed combining financial statements for the Authority and its blended component unit are presented in Note 3 below.

Basis of Accounting

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles, which provides that revenues are recorded when earned and expenses are recorded when incurred. It is the policy of the Authority to first apply restricted resources when an expense is incurred for purposes for with both restricted and unrestricted net position are available.

The Authority defines operating revenues as revenue derived from the primary business activities of the Authority. These activities include the following: 1) lease revenues related to non-capitalized leases with lease terms of one-year or less; 2) contributed income directly supporting the operations or advancement of the VA BIO+TECH PARK; 3) revenue derived from ownership and management of parking surface lots within the footprint of the VA BIO+TECH PARK; and 4) assessments and other miscellaneous revenue sources such as event fees for conference facilities, tenant fax and copying fees, and expenditure reimbursements that are not related to a specific capital outlay project.

The Authority defines non-operating revenues as revenue derived from capital lease agreements and capital financing activities such as interest income on funds held in trust accounts and developer's/issuer's fees earned on bond issuances and project development.

The Corporation defines revenues as revenue derived from grants, donations, awards and other funds received for programs.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Authority considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable debt in equity securities held by Commonfund are valued using fair value measurements in accordance with GASB Statement No. 72, *Fair Value Measurements and Application* (GASB 72). See Note 14 for additional information on the Authority's investments measured at fair value. The Authority also invests in certain partnerships to further the Authority's mission and purpose to promote scientific research and economic development through the attraction and creation of new jobs and companies. These investments are valued at cost with certain proportionate shares of profits and losses allocated. See Note 15 for additional information on the Authority's investments in partnerships.

Asset Capitalization and Depreciation Method

Capital assets are generally assets with an initial cost of $2,500 or more and an estimated useful life in excess of two years. Capital assets are valued at historical costs or estimated historical cost if actual cost is not available. Capital assets are comprised of land, buildings, equipment, construction-in-progress, trademarks, and leasehold improvements. Donated capital assets are carried at market value at the date of contribution. Accumulated depreciation is reported on the Statement of Net Position. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

Land	Non-depreciable assets
Buildings	20-48 years
Leasehold Improvements	5-15 years
Equipment	3-20 years
Trademark	5-10 years

The costs for maintenance and repairs are charged to occupancy and shared lab expense as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts and any resulting profit or loss on such dispositions is reflected in non-operating activities.

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Position. In accordance with paragraph 146 of GASB Statement No. 34, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

Compensated absences represent the amounts of paid time off (PTO) hours earned by employees, but not taken at June 30, 2017. PTO combines traditional vacation and sick leave. All full-time staff receive 30 days of PTO on January 1 of each year. The amount reflects all earned PTO and related payroll taxes to be paid under the Authority's leave pay out policy upon employment termination.

Interest Income

Interest income and expense from operating and Local Government Investment Pool accounts are recorded as operating revenue. Interest income and administrative fees related to the investment and bond accounts are recorded as non-operating revenue.

Unamortized Deferred Amount on Refunding

The deferred amount on refunding, resulting from the advance refunding of a portion of the Series 2006 Revenue Bonds, is being amortized on a straight-line basis over the life of the Series 2009 Bond, and as of June 30, 2017, had a balance of $1,188,429. The amortization of $250,196 is included in interest expense for fiscal year 2017.

Pensions

The Authority participates in the Virginia Retirement System (VRS) Political Subdivision Retirement Plan which is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (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.

2. DEPOSITS AND INVESTMENTS

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. Cash with the trustee represents bond proceeds held by trustees. Other funds of the Authority are invested in the State Treasurer's Local Government Investment Pool (LGIP), whose carrying value is equal to the market value.

Investments

Code of Virginia section 2.2-4500 et.seq. authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, and the African Development Bank; "prime quality" commercial paper and certain corporate notes; banker's acceptances repurchase agreements; and the State Treasurer's Local Government Investment Pool (LGIP).

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5 percent of the Authority's investments are in Commonfund Institutional Multi-Strategy Equity Fund, LLC and Commonfund Institutional Multi-Strategy Bond Fund, LLC. These investments are sixty seven percent and thirty three percent, respectively, of the Authority's total investments in Commonfund.

Credit Risk

The Commonfund is an external investment pool whose asset portfolio is unrated.

Foreign Currency Risk

The Authority's exposure to foreign currency risk derives from its holdings of foreign securities and the use of derivatives to hedge the related foreign currency exposure back to the U.S. dollar. These foreign securities are part of the holdings included in the Commonfund Institutional Multi-Strategy Equity Fund, LLC and Commonfund Institutional Multi-Strategy Bond Fund, LLC and represent eight percent and five percent of the fund's holdings, respectively. The Authority does not have a formal policy to limit foreign currency risk.

3. BLENDED COMPONENT UNIT

The Authority accounts for the Corporation as a blended component unit. Condensed combining information for the Corporation and the Authority is as follows:

Condensed Combining Statement of Net Position

	VBRPA	VBRPC	Total
Current assets	$ 8,218,713	$ 460,100	$ 8,678,813
Capital assets	3,558,847	-	3,558,847
Other assets	24,696,853	-	24,696,853
Total assets	36,474,413	460,100	36,934,513
Deferred outflows of resources	1,256,862	-	1,256,862
Current liabilities	4,194,501	350,016	4,544,517
Long-term liabilities	18,595,811	-	18,595,811
Total liabilities	22,790,312	350,016	23,140,328
Net investment in capital assets	3,558,847	-	3,558,847
Restricted	243,396	110,084	353,480
Unrestricted	11,138,720	-	11,138,720
Total net position	$ 14,940,963	$ 110,084	$ 15,051,047

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position

	VBRPA	VBRPC	Total
Operating revenues			
Rental income	$ 341,148	$ -	$ 341,148
Parking income	368,840	-	368,840
Community development fees	290,430	-	290,430
Business support services	21,043	-	21,043
Other income	40,510	-	40,510
Program revenues and contributions	-	218,440	218,440
Total operating revenues	1,061,971	218,440	1,280,411
Operating expenses	935,744	292,800	1,228,544
Operating income	126,227	(74,360)	51,867
Nonoperating revenues (expenses)			
Interest revenue	1,088,150	-	1,088,150
Interest expense	(987,430)	-	(987,430)
Net gain on investments	938,278	-	938,278
Total nonoperating revenues	1,038,998	-	1,038,998
Change in net position	1,165,225	(74,360)	1,090,865
Beginning net position	13,775,738	184,444	13,960,182
Ending net position	$ 14,940,963	$ 110,084	$ 15,051,047

Condensed Combining Statement of Cash Flows

	VBRPA	VBRPC	Total
Net cash provided by operating activities	$ 106,000	$ 276,206	$ 382,206
Net cash provided by non-capital financing activities	233,608	-	233,608
Net cash provided by capital and related financing activities	(143,971)	-	(143,971)
Net increase in cash	195,637	276,206	471,843
Beginning cash and cash equivalents	4,161,636	183,894	4,345,530
Ending cash and cash equivalents	$ 4,357,273	$ 460,100	$ 4,817,373

4. CAPITAL ASSETS

A summary of changes in the Authority's Capital Assets for the year ended June 30, 2017, is presented as follows:

	Beginning Balance	Acquired	Deleted	Ending Balance
Land	$ 3,369,446	$ -	$ -	$ 3,369,446
Equipment	351,713	19,172	-	370,885
Leasehold improvements	-	3,150	-	3,150
Trademark	-	121,649	-	121,649
Total at historical cost	3,721,159	143,971	-	3,865,130
Less accumulated depreciation for:				
Equipment	293,217	13,066	-	306,283
Capital assets, net	$ 3,427,942	$ 130,905	$ -	$ 3,558,847

5. LEASE RECEIVABLE

The Authority has a capital lease agreement with the Department of General Services for the Bio+Tech Six building. The capital lease has a value of $23,777,175 at June 30, 2017, which equals the remaining principal and interest due on the debt for the Bio+Tech Six building. The financial statements include unearned income of $2,717,175 related to the capital lease receivable for interest due in future periods.

The following lists the components of the net investment in lease receivable as of June 30, 2017:

Current portion:		
Minimum lease payments receivable	$	4,753,550
Less: unearned revenue		(938,550)
Current net investment in lease receivable		3,815,000
Non-current portion:		
Minimum lease payments receivable		19,023,625
Less: unearned revenue		(1,778,625)
Non-current net investment in lease receivable		17,245,000
Total net investment in lease receivable	$	21,060,000

At June 30, 2017, lease payments for each of the succeeding fiscal years are as follows:

Year	Amount
2018	$ 4,753,550
2019	4,752,500
2020	4,757,750
2021	4,757,375
2022	4,756,000
Total lease payments	$ 23,777,175

6. CONDUIT DEBT OBLIGATIONS

On April 9, 2002, the Authority issued $12,000,000 in Series 2002 Variable Rate Revenue Bonds to fund construction of the Bio+Tech Seven project. Bio+Tech Seven is an office and data facility built specifically for United Network for Organ Sharing (UNOS). These bonds have a scheduled maturity date of April 1, 2027. The total amount of bonds outstanding at June 30, 2017, is $6,910,000.

On June 1, 2013, the Authority issued $15,000,000 in Series 2013A and Series 2013B Variable Rate Revenue Bonds to assist the Institute for Transfusion Medicine (ITxM) in connection with the transfer to ITxM of the sole corporate membership interest in Virginia Blood Services (VBS). VBS provides blood supply services, including collection, storage, and distribution of blood to hospitals and other health care providers in the Commonwealth of Virginia, and conducts related research. The bonds are secured by a bond trust indenture and are payable solely from payments made by the borrower under the loan agreement.

These bonds have a scheduled maturity date of June 1, 2023. The total amount of bonds outstanding at June 30, 2017, is $14,250,000.

The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and accordingly have not been reported in the accompanying financial statements.

7. NON-CURRENT LIABILITIES

The Authority's non-current liabilities consist of long-term debt, accrued, and other non-current liabilities.

Long-term debt of the Authority consists of the following bonds at June 30, 2017:

3.00 percent to 5.00 percent Virginia Biotechnology Research Partnership Authority Commonwealth of Virginia Lease Revenue Bonds, (Biotech Six Consolidated Laboratories Project), Series 2009.	$ 21,060,000
Total long-term debt	$ 21,060,000

A summary of changes in the Authority's non-current liabilities for the year ended June 30, 2017 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Commonwealth of Virginia lease revenue bonds	$24,725,000	$ -	$ 3,665,000	$21,060,000	$3,815,000
Unamortized bond premiur	2,017,767	-	350,916	1,666,851	350,916
Net bonds payable	26,742,767	-	4,015,916	22,726,851	4,165,916
Compensated absences	43,107	-	8,231	34,876	-
Total long-term liabilities	$26,785,874	$ -	$ 4,024,147	$ 22,761,727	$ 4,165,916

Long-term debt matures as follows:

Fiscal year	Total	Interest	Total
2018	$ 3,815,000	$ 938,550	$ 4,753,550
2019	3,990,000	762,500	4,752,500
2020	4,200,000	557,750	4,757,750
2021	4,415,000	342,375	4,757,375
2022	4,640,000	116,000	4,756,000
Total	$21,060,000	$ 2,717,175	$ 23,777,175

8. DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Virginia Retirement System (VRS), an agent, multiple-employer defined benefit pension plan administered by the VRS. Information relating to these plans are available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This plan is 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 a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. 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		
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	**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	**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

<table>
<tr>
<td>date is before July 1, 2010, and they were vested as of January 1, 2013.</td>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td>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</td>
<td>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.</td>
<td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision 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</td>
</tr>
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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.	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.	Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees 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 Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**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	**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

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.		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** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for	**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. **Sheriffs and regional jail superintendents:** Same as Plan 1.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible Authority hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** 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. **Political subdivisions hazardous duty employees:**	**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.	**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.

Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Political subdivisions hazardous duty employees:** Same as Plan 1.	**Political subdivisions hazardous duty employees:** 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. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**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 creditable service. **Political subdivisions hazardous duty employees:** 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%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable.

<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 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.	**<u>Eligibility:</u>** Same as Plan 1 **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Eligibility:</u>** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

• 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. 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP 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	**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

service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		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.

Employees Covered by Benefit Terms

As of the June 30, 2015, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested	4
Non-vested	3
Active elsewhere in VRS	3
Total inactive members	10
Active members	4
Total	16

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to authorities by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution**.** The authority's contractually required contribution rate for the year ended June 30, 2017 was .63% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $2,978 for the year ended June 30, 2017.

Net Pension Liability

The Authoritys net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5% per year
Salary increases, including Inflation	3.5% – 5.35% per annum
Investment Return Rate	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates: 14 % of deaths are assumed to be service related

- Largest 10 – Non-LEOS:
  - Pre-Retirement:
    - RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
  - Post-Retirement:
    - RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 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

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 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:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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 employer for the Authority 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, participating employers 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.

Changes in Net Pension Asset

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	$1,608,057	$1,952,851	($344,794)
Changes for the year:			
Service cost	43,233	-	43,233
Interest	109,643	-	109,643
Difference between expected and actual experience	28,675	-	28,675
Contributions – employer	-	24,201	(24,201)
Contributions – employee	-	23,639	(23,639)
Net investment income	-	33,550	(33,550)
Benefit payments, including refunds of employee contributions	(83,470)	(83,470)	-
Administrative expense	-	(1,223)	1,223
Other changes	-	(14)	14
Net changes	98,081	(3,317)	101,398
Balances at June 30, 2016	$1,706,138	$1,949,534	($243,396)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset calculated using the stated discount rate of 7.00%, as well as what the net position asset would be if it were calculated using a stated discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Plan's Net Pension Liability (Asset)	($40,647)	($243,396)	($413,113)

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

For the year ending June 30, 2017, the Authority recognized pension expense of $26,968. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Employer contributions made subsequent to measurement date	$2,978
Differences between expected and actual pension experience	$15,581
Net difference between projected and actual earnings on plan investments	49,874
	$65,455

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2017, will be recognized in pension expense in future reporting periods as follows:

Year ended June 30:	
2018	$13,132
2019	2,525
2020	29,426
2021	20,372
Total	$65,455

9. OTHER POST-EMPLOYMENT BENEFITS – LIFE INSURANCE PROGRAM

The Authority participates in the VRS-administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees.

Information relating to these plans is available at the statewide level in the CAFR. The Authority contributed 1.31% of eligible covered payroll in 2017 to this program for a total of $6,854.

10. OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM

The Authority participates in the VRS Retiree Health Insurance Credit Program which is an agent, multiple-employer plan. It provides eligible retirees a tax-free reimbursement for health insurance premiums for single coverage under qualifying health plans, including coverage under a spouse's plan, not to exceed the amount of the monthly premium or the maximum credit, whichever is less. Premiums for health plans covering specific conditions are ineligible for reimbursement. The amount is financed based on employer contribution rates determined by the VRS's actuary. The Authority contributed 0.14% of eligible covered payroll in 2017 to this program for a total of $732.

11. OTHER EMPLOYEE BENEFITS – VIRGINIA LOCAL DISABILITY PROGRAM

The Authority participates in the VRS-administered statewide disability program. It provides eligible employees income protection if an employee is out of work because of a non-work-related or work-related illness, injury, or other condition. The Authority contributed 0.60% of eligible covered payroll in 2017 to this program for a total of $303.

12. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The Authority 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 Authority participates in insurance plans maintained by the Commonwealth. The Department of Human Resource Management administers the state employee health care plan. The risk management insurance plans and worker's compensation plans are administered by a private insurance agency. Risk management insurance includes property and general liability plans and faithful performance of duty bond. The Authority pays premiums directly to the vendor for insurance coverage. Information relating to the Commonwealth's employee health care plan is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

13. RELATED PARTY OPERATING LEASE

In November, 2011, the Authority entered into a lease agreement with Virginia Commonwealth University for the use of the real property, building, and improvements located at 800 East Leigh Street, otherwise known as Bio+Tech Center. Bio+Tech Center is the property from which the Authority conducts the majority of its operations. The rent under the lease agreement was $30 and was paid in a lump sum at the beginning of the lease; therefore, there is no related rent expense represented within these financial statements. The lease term ends November 2041.

14. INVESTMENTS MEASURED AT NET ASSET VALUE

Investments measured at net asset value (NAV) per share are valued using the practical expedient at the Authority's pro-rata interest in the net assets of these funds. Investments held by these funds are valued at prices which approximate fair value. The 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 of the respective funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Net asset valuations are provided monthly by these funds.

In relation to the investment funds in the following table valued using the practical expedient, the following information is presented regarding the nature of the Authority's investment and related commitments as of June 30, 2017. The fair value of the investments in each fund has been estimated using the net asset value per share of investments.

Investments Measured at the Net Asset Value

	Fair Value	Unfunded Commitments	Eligible Redemption Frequency	Redemption Notice Period
Multi-Strategy Equity Fund	$4,174,481	n/a	Monthly	5 business days
Multi-Strategy Bond Fund	2,067,033	n/a	Monthly	5 business days
Total investments measured at net asset	$6,241,514			

1. Multi-Strategy Equity Funds. To offer an actively managed, multi-manager investment program that will provide broad exposure to global equity markets. The fund seeks to add value net of fees above the return of the U.S. equity market, as measured by the S&P 500 Index, over a full market cycle. The fund's risk characteristics will vary from those of the S&P 500 due to its diversified exposures to equity markets outside of that index, including non-U.S. equity markets and to certain marketable alternative strategies. A separate composite benchmark consists of typical allocations to these strategies that we believe provides greater insight on nearer term performance drivers and fund characteristics. It also provides an appropriate framework to understand the impact of allocation changes over time. The weights reflected in the composite represent our expectations for long run, average exposures to the strategies.

2. Multi-Strategy Bond Funds. To offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. Bond market, as measured by the Barclay's Capital U.S. Aggregate Bond Index, net of fees and to provide competitive returns relative to the Russell U.S. Core Plus Fixed Income Universe. The fund's risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the Index, including below investments grade debt and international bond and currency markets. As of June 30, 2017, the effective duration was 4.7 years.

15. INVESTMENT IN PARTNERSHIPS

Bio+Tech Eight, LLC, is a for-profit development entity in which the VA BIO+TECH PARK has an equity interest. During fiscal year 2007, the Authority contributed land (740 Navy Hill Road) with a book value of $97,709 and a market value of $1,000,000 and cash in the amount of $500,000, for a total equity contribution of $1,500,000. In September 2009, an additional $115,000 was contributed per a loan agreement. During 2011, the Operating Agreement was amended to exclude the Authority from sharing in any additional profits or losses of the LLC. However, accounting standards require the Authority to recognize its proportionate share of the profit and losses in the LLC in line with allocation ratios used for preferred return distributions. The Authority will receive preferred returns of any distributions of excess cash and upon the sale or refinancing of the property from the LLC.

During fiscal year 2013, the Operating Agreement was amended to allow for the admission of another member. As a result, the Authority's equity interest was reduced from approximately 15.6 percent to approximately 11 percent. The net investment in Bio+Tech Eight, LLC was $872,384 at June 30, 2017.

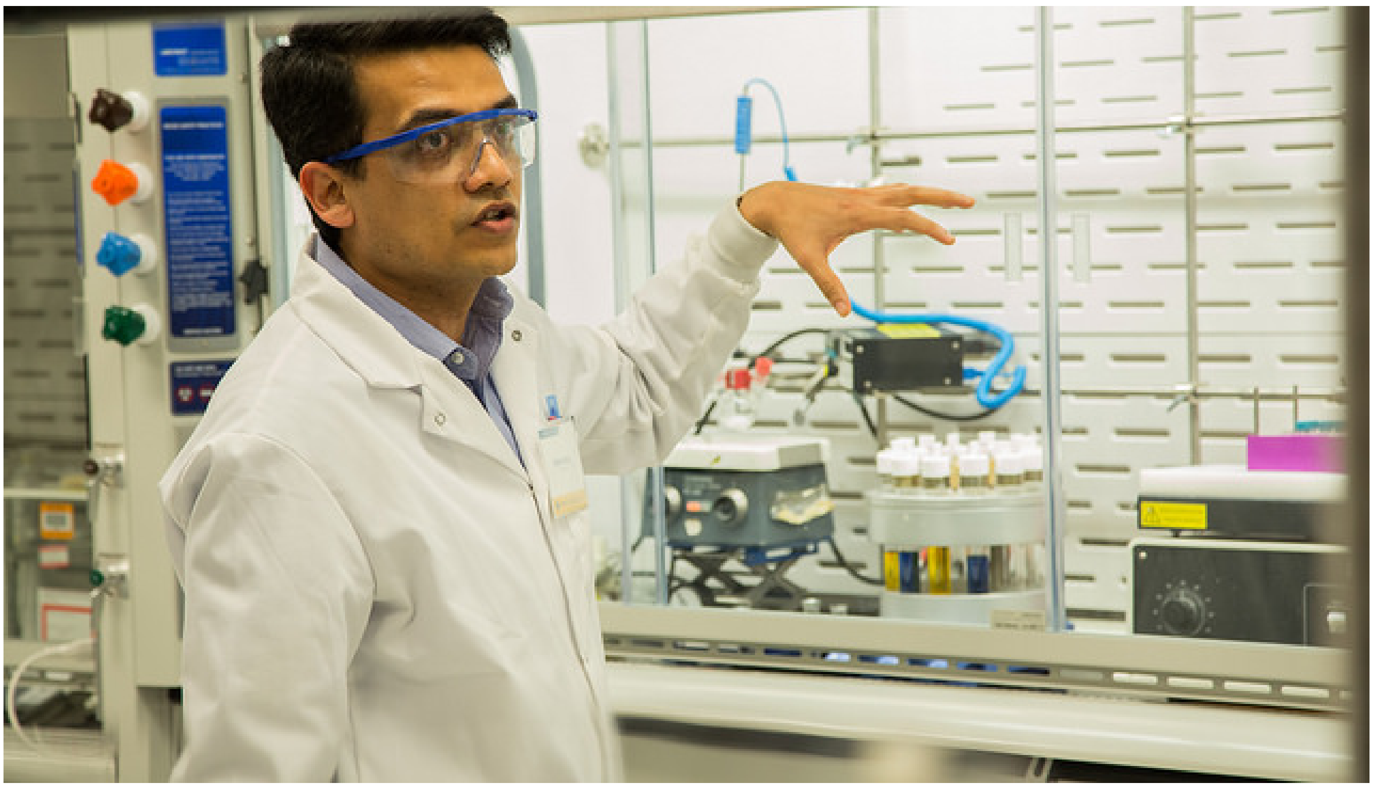
During fiscal year 2012, VA BIO+TECH PARK committed to an 8% equity interest in Bioling LLC, a for-profit development entity. The Park is subject to potential cash calls in proportion to their Percentage Interests and will share in distributions of excess cash in accordance with its partnership percentage. The net investment in Bioling, LLC was $38,934 at June 30, 2017.

As of June 30, 2017, the Authority had equity interests in partnerships with a book value (cost) of $55,625.

16. SUBSEQUENT EVENTS

The Authority is a partner in Biotech Eight, LLC which owns the Biotech Eight building. On November 9, 2017, the Biotech Eight building was sold, and the Authority expects to have a gain from the sale.

REQUIRED SUPPLEMENTARY INFORMATION



VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

Schedule of Changes in Net Pension Asset and Related Ratios

For the measurement date as of and for the year ended June 30,	2016	2015	2014
Total pension liability			
Service cost	$ 43,233	$ 36,492	$ 57,102
Interest	109,643	102,589	96,454
Difference between expected and actual experience	28,675	44,487	-
Benefit payments	(83,470)	(82,139)	(49,685)
Net change in total pension liability	98,081	101,429	103,871
Total pension liability - beginning	1,608,057	1,506,628	1,402,757
Total pension liability - ending (a)	$ 1,706,138	$ 1,608,057	$ 1,506,628
Plan fiduciary net position			
Contributions - employer	$ 24,201	$ 23,518	$ 18,091
Contributions - employee	23,639	22,946	22,363
Net investment income	33,550	86,652	262,181
Benefit payments	(83,470)	(82,139)	(49,685)
Administrative expenses	(1,223)	(1,205)	(1,407)
Other changes	(14)	(19)	14
Net change in plan fiduciary net position	(3,317)	49,753	251,557
Plan fiduciary net position - beginning	1,952,851	1,903,098	1,651,541
Plan fiduciary net position - ending (b)	$ 1,949,534	$ 1,952,851	$ 1,903,098
Authority's net pension asset - ending (b) - (a)	$ 243,396	$ 344,794	$ 396,470
Plan fiduciary net position as a percentage of the total pension asset	114.3%	121.4%	126.3%
Covered payroll*	$ 472,770	$ 458,917	$ 388,489
Net pension asset as a percentage of covered payroll	51.5%	75.1%	102.1%

*Covered payroll represents the total pensionable payroll for employees covered under the pension plan, in accordance with GASB Statement No. 82.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

Schedule of Employer Contributions

For the year ended June 30,	2017	2016	2015
Actuarially determined contribution	$ 2,978	$ 24,347	$ 23,634
Contributions in relation to the actuarially determined contribution	2,978	24,347	23,634
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 523,187	$ 472,770	$ 458,917
Contributions as a percentage covered payroll	0.6%	5.1%	5.1%

Notes to Schedule

Actuarially determined contribution rates are based on the most recent valuation date, which was June 30, 2015. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	29 and 20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	3.50% - 5.35%
Cost-of-living adjustments	2.25% - 2.50%

*Includes inflation at 2.50%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

Notes to Required Supplemental Information

For the year ended June 30, 2017

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, 2016 are not material.

Changes of assumptions:

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

Largest 10 - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability