JAMES MADISON UNIVERSITY®

AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2020

JAMES MADISON UNIVERSITY

AUDITED FINANCIAL REPORT 2019 – 2020

TABLE OF CONTENTS

Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Overview

This Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the University's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2020. Comparative numbers, where presented, are for the fiscal year ending June 30, 2019. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The University's financial statements referred to above were prepared in accordance with GASB Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities,* as amended by GASB Statement Numbers 37, 38, 61 and 63. The three required financial statements are the Statement of Net Position (balance sheet), the Statement of Revenues, Expenses, and Changes in Net Position (operating statement), and the Statement of Cash Flows. These statements are summarized and analyzed in the following sections.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, addresses which fund-raising, research, or other foundations should be included as component units and how these component units should be displayed in the financial statements. Under GASBS No. 61, the James Madison University Foundation, Inc. (Foundation) meets the criteria and is included as a component unit. The Foundation is presented in a separate column on the University's financial statements; however, inter-company transactions between the University and the Foundation have not been eliminated. The remainder of this discussion and analysis excludes the Foundation's financial condition and activities.

The following GASB statements of standards became effective in fiscal year 2020: Statement No. 84, *Fiduciary Activities;* Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, and Statement No. 92, *Omnibus 2020* (paragraphs 11 and 13 only). Only Statement No. 84 had a significant effect upon the University's financial statements for the current year, which is addressed in Footnote 1B.

Statement of Net Position

The Statement of Net Position (SNP) presents the University's assets, liabilities, and net position as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the financial statement readers. The data presented aids readers in determining the assets available to continue the University's operations. It also allows readers to determine how much the University owes to vendors and creditors. Finally, the SNP provides a picture of the University's assets and the restrictions for expenditure for the net position components. Sustained increase in net position over time is one indicator of an organization's financial health.

Net position is classified as follows:

- Net investment in capital assets – Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.

- Restricted net position, expendable – The expendable restricted position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.

- Restricted net position, nonexpendable – Nonexpendable restricted net position consists of endowments and similar type funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.

- Unrestricted net position – Unrestricted net position represents resources used for the University's general operations. They may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, public service and outreach. These resources are derived from student tuition and fees, state appropriations and sales and services of auxiliary enterprises. The auxiliary enterprises are self-supporting entities that provide services for students, faculty and staff. The unrestricted component of net position absorbed 100% of the 2020 beginning balance adjustment for inclusion of additional University activities from the implementation of GASBS No. 84.

Statement of Net Position
(In thousands)

	2020	2019	Change Amount	Change Percent
Current Assets	**$ 254,962**	**$ 238,747**	**$ 16,215**	**6.8%**
Noncurrent assets				
Capital assets, net	1,351,618	1,273,822	77,796	6.1%
Other noncurrent assets	15,900	67,262	(51,362)	-76.4%
Total noncurrent assets	**1,367,518**	**1,341,084**	**26,434**	**2.0%**
Deferred outflow of resources	**60,284**	**39,388**	**20,896**	**53.1%**
Total Assets and deferred outflow of resources	**1,682,764**	**1,619,219**	**63,545**	**3.9%**
Current liabilities	**123,494**	**121,923**	**1,571**	**1.3%**
Noncurrent liabilities				
Long-term liabilities	456,053	476,804	(20,751)	-4.4%
Net pension liability	174,091	143,854	30,237	21.0%
Net OPEB liability	65,529	73,121	(7,592)	-10.4%
Total Noncurrent liabilities	**695,673**	**693,779**	**1,894**	**0.3%**
Deferred inflow of resources	**40,613**	**36,104**	**4,509**	**12.5%**
Total liabilities and deferred inflow of resources	**859,780**	**851,806**	**7,974**	**0.9%**
Net position				
Net investment in capital assets	893,078	841,549	51,529	6.1%
Restricted - expendable	10,651	7,627	3,024	39.6%
Unrestricted	(80,745)	(81,763)	1,018	1.2%
Total net position	**$ 822,984**	**$ 767,413**	**$ 55,571**	**7.2%**

In 2020, the University's total assets and deferred outflow of resources increased by $63.5 million, primarily related to the $77.8 million net increase in capital assets. Significant additions to capital assets included the completion of Paul Jennings Hall student housing ($52.9 million), as well the College of Business Learning Complex ($61.1 million), Dukes Dining Hall ($30.5 million), and the Wilson Hall Renovation ($22.8 million). Significant additions to construction-in-progress included the Atlantic Union Bank Center ($40.0 million). These additions are offset by the overall decrease to construction-in-progress across all previously mentioned completed projects ($114.7 million). The increase in capital assets is further discussed in the next section of this analysis.

The $16.2 million increase in current assets primarily relates to an increase of $10.2 million in cash and cash equivalents; this is due to an increase in auxiliary cash of $8.6 million (primarily related to the receipt of institutional CARES Act funds ($6.0 million), in addition to repayment of capital temporary funding by capital project funds), as well as an increase of $1.5 million in E&G funds due to increased deferred revenue from tuition related to a 20% increase in summer credit hours. The increase in current assets can also be attributed to an increase in accounts receivable of $2.7 million over the prior year, also related to increased summer enrollment for classes taking place prior to June 30. Other non-current assets decreased by $51.4 million, largely due to a $50.4 million decrease in restricted cash and cash equivalents. This decrease was the result of the spend-down of $63.5 million in bond proceeds held as restricted cash equivalents used for the Atlantic Union Bank Center construction project ($30.4 million), Dukes Dining Hall project ($16.6 million), and Paul Jennings Hall student housing project ($9.3 million). This decrease is offset by a $10.1 million increase in restricted cash held for use on the Atlantic Union Bank Center project, and a $3.0 million decrease in restricted cash reclassified to unrestricted in order to cover current capital project payables at year-end. The increase in deferred outflows of resources ($20.9 million) can be attributed to an increase in deferred outflows related to the State pension plan ($18.0 million), as provided by the Virginia Retirement System (VRS).

Current liabilities increased $1.6 million. The increase is mostly attributable to a $3.2 million increase in unearned revenue, due to an increase in summer credit hours. This increase is offset by a $1.2 million decrease in the current portion of long-term liabilities. The decrease is made up of a $0.5 million decrease in the current portion of long-term debt, as the University acquired no new debt during fiscal year 2020. In addition to this decrease, the current portion of accrued compensated absences decreased $0.8 million; estimates of leave usage based on the pandemic shifted more of the balance to noncurrent liabilities.

Non-current liabilities increased by $1.9 million, primarily due to a $20.7 million decrease in long-term liabilities, offset by a $30.2 million increase in net pension liability related to the University's portion of VRS' unfunded pension liability, and a $7.6 million decrease in the OPEB liability related to the University's portion of VRS and DHRM's unfunded OPEB liabilities. The decrease in long-term liabilities is mainly due to a $26.6 million decrease in long-term debt. For more detailed debt information, see the Capital Asset and Debt Administration section.

The increase in total assets and deferred outflows of resources along with the increase in total liabilities and deferred inflow of resources is reflected in the $1.0 million increase of the University's unrestricted net position. Net investment in capital assets increased $51.5 million, reflecting the University's continued investment in new facilities and equipment supporting the University's missions, as well as prudent management of the University's fiscal resources.

Capital Asset and Debt Administration

A critical factor in ensuring quality University academic, research, and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current facilities as well as pursue funding opportunities for construction and purchase of additional facilities. Investment in new and upgrading current structures serves to enrich high-quality instructional programs, research activities, and residential lifestyles.

Depreciable capital asset additions totaled $199.5 million (excludes land, artwork, and construction-in-progress) in 2020, as compared to $73.9 million in 2019.

PROJECTS COMPLETED OR ACQUIRED DURING 2019-20 *(in thousands)*

PROJECT	**CAPITALIZED COST**
Construct Paul Jennings Hall	$ 52,943
Construct College of Business Learning Complex	61,144
Construct Dukes Dining	30,476
Wilson Hall Renovation	22,827
All other capitalized additions	32,095
TOTAL	**$ 199,485**

Non-depreciable additions for 2020 include $1.2 million for various land purchases. Depreciation expense was $48.9 million with net asset retirements of $827,413.

Major projects under construction in 2020 totaled $99.9 million, as compared to $172.9 million in 2019.

PROJECTS IN PROGRESS AT YEAR-END *(in thousands)*

PROJECT	**AMOUNT**
Atlantic Union Bank Center	$84,269
Showker Hall Renovation	3,860
Justice Studies Renovation	4,747
All other projects in progress	7,002
TOTAL	**$99,878**

The University's total long-term debt decreased to $466.7 million in 2020 from $493.3 million in fiscal year 2019. The decrease is the result of debt principal payments made throughout the year on outstanding debt balances, with no new debt acquired by the University during fiscal year 2020.

The University's Board of Visitors approved "Debt Management Guidelines and Procedures" established that the maximum annual debt service costs as a percentage of total operating revenues shall not exceed ten percent for non-revenue producing capital projects. The University's 2020 ratio was seven point four percent, as compared to six point six percent for 2019.

Overall, unpaid construction commitments decreased from $124.5 million in 2019 to $36.0 million in 2020, and other related contractual commitments increased from $6.8 million to $9.5 million, respectively.

UNPAID CONSTRUCTION COMMITMENTS AT YEAR-END *(in thousands)*

PROJECT	**UNPAID COMMITMENT**
Atlantic Union Bank Center	$ 11,087
College of Business Renovation/Expansion	16,047
Dukes Dining Hall	2,357
Justice Studies Renovation	1,797
All other construction contracts	4,726
TOTAL	**$ 36,014**

Further information relating to capital assets, construction, and capital debt is included in the Notes to Financial Statements in Notes 5 and 8. Information on other contractual commitments is included in Note 17.

Statement of Revenues, Expenses, and Changes in Net Position

Operating and non-operating activities creating changes in the University's total net position are presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investment and capital asset activities.

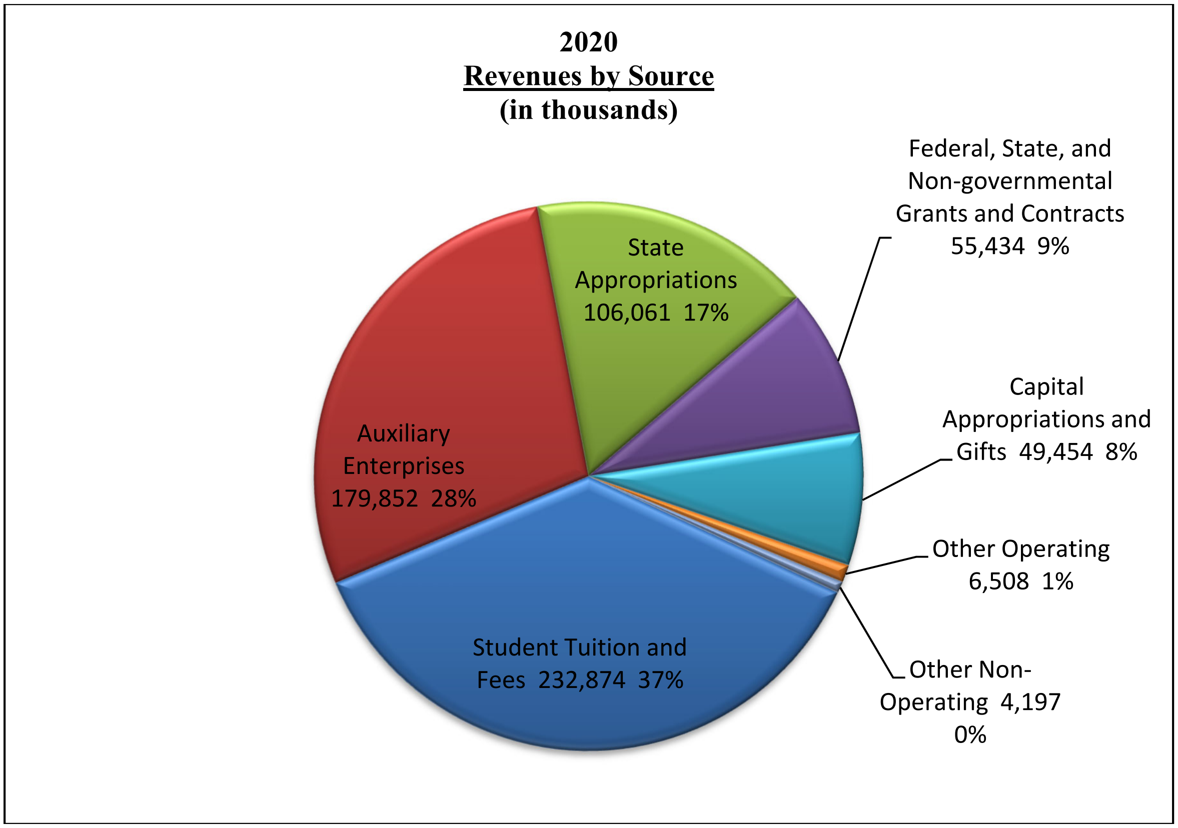
Generally, operating revenues are received through providing goods and services to students and other constituencies of the University. Operating expenses are those expenses made to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's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

Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts are included in this category, but provide substantial support for paying the University's operating expenses. Therefore, the University, like most public institutions, will expect to show an operating loss.

Statement of Revenues, Expenses, and Changes in Net Position
(In thousands)

			Change	
	2020	**2019**	**Amount**	**Percent**
Operating revenues	**$ 448,986**	**$ 467,297**	**$ (18,311)**	**-3.9%**
Operating expenses	**563,622**	**544,990**	**18,632**	**3.4%**
Operating loss	**(114,636)**	**(77,693)**	**(36,943)**	**47.5%**
Nonoperating revenues (expenses)				
State appropriations	106,061	95,113	10,948	11.5%
Grants and Contracts	25,682	13,952	11,730	84.1%
Gifts	1	1	-	0.0%
Investment Income	4,196	4,249	(53)	-1.2%
Interest on capital asset related debt	(11,247)	(11,574)	327	-2.8%
Loss on disposal of plant assets	(843)	(4,350)	3,507	-80.6%
Payments to the Commonwealth	(3,098)	(2,930)	(168)	5.7%
Net nonoperating revenue (expenses)	**120,752**	**94,461**	**26,291**	**27.8%**
Income (loss) before other revenues, expenses, gains, or losses	**6,116**	**16,768**	**(10,652)**	**-63.5%**
Capital appropriations and contributions	43,885	44,548	(663)	-1.5%
Capital gifts	5,570	2,925	2,645	90.4%
Total other	**49,455**	**47,473**	**1,982**	**4.2%**
Increase in net position	**55,571**	**64,241**	**(8,670)**	**-13.5%**
Net position - beginning of year	767,413	703,172	64,241	9.1%
Net position - end of year	**$ 822,984**	**$ 767,413**	**$ 55,571**	**7.2%**

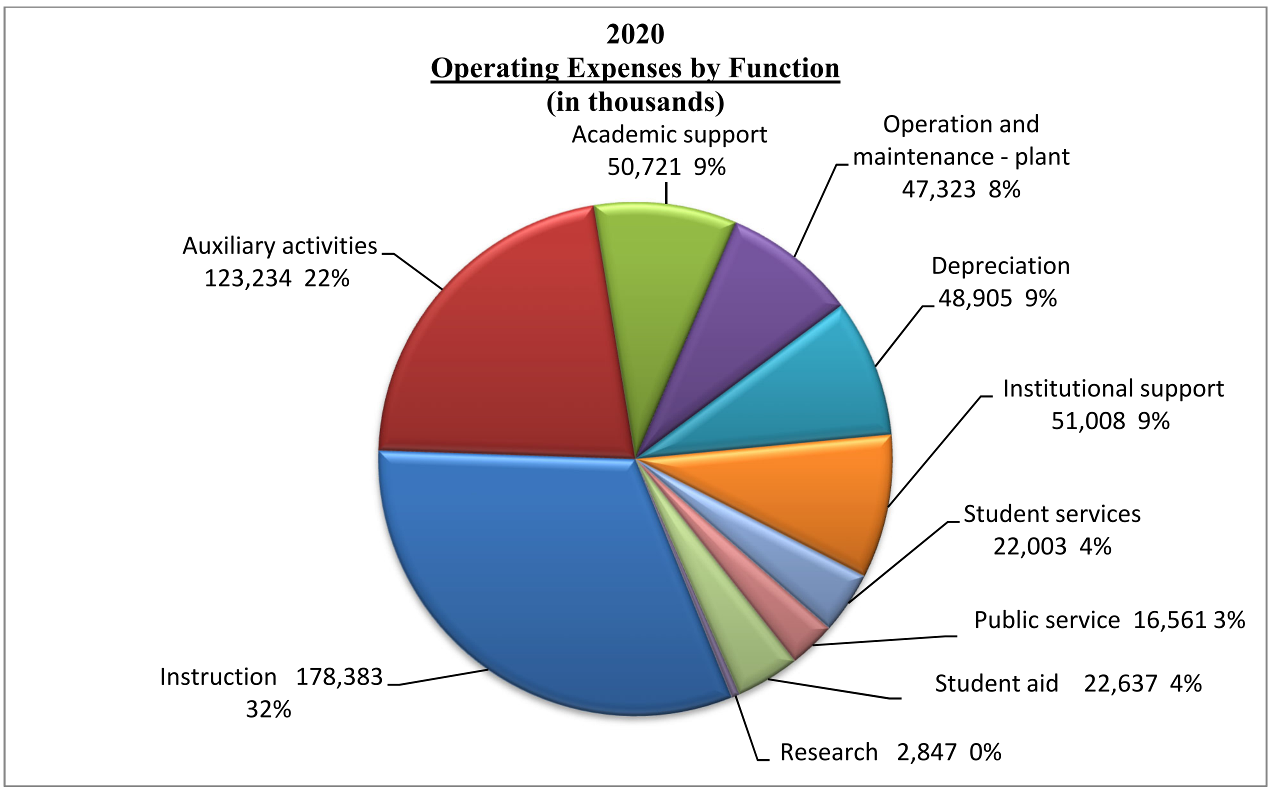
Following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University's activities for the year ended June 30, 2020. As noted above, critical recurring revenue sources such as state and capital appropriations are considered non-operating.



	2020	2019	Change Amount	Change Percent
Operating revenues:				
Student tuition and fees, net	232,874	237,023	$ (4,149)	-1.8%
Grants and contracts	29,752	27,707	2,045	7.4%
Auxiliary enterprises, net	179,852	196,241	(16,389)	-8.4%
Other operating revenues	6,508	6,326	182	2.9%
Total operating revenues	**448,986**	**467,297**	**(18,311)**	**-3.9%**
Nonoperating revenues:				
State appropriations	106,061	95,113	10,948	11.5%
Grants and contracts	25,682	13,952	11,730	84.1%
Other nonoperating revenue	4,197	4,250	(53)	-1.2%
Total nonoperating revenues	**135,940**	**113,315**	**22,625**	**20.0%**
Other revenues:				
Capital appropriations and contributions	43,885	44,548	(663)	-1.5%
Capital gifts	5,570	2,925	2,645	90.4%
Total other revenues	**49,455**	**47,473**	**1,982**	**4.2%**
Total revenues	**634,381**	**628,085**	**6,296**	**1.0%**

Operating revenues, consisting mostly of tuition and fees and auxiliary enterprises, decreased $18.3 million or four percent from the prior fiscal year. This decrease is significantly attributable to the onset of the COVID-19 pandemic during the Spring 2020 semester. As a result of campus closure and move to online classes, $12.9 million in refunds were issued to students for room and board. Non-operating revenues, which are comprised mainly of state appropriations and non-operating grants and contracts, increased $22.6 million or 20%. Large portions of this increase include a $10.9 million rise in state appropriations, $11.7 million more in non-operating grants and contracts, and a decrease in loss on plant asset disposals of $3.5 million. The state appropriations increase occurred in a number of areas, including in-state undergraduate tuition moderation ($6.1 million) and compensation increases ($3.0 million). See Footnote 15 for further details on state appropriations. Non-operating grants and contracts saw an increase of $12.0 million from Federal CARES Act funding as student and institutional relief for the COVID-19 pandemic. During fiscal year 2020, plant disposals and the related loss were significantly less than the prior year. This is due to the fiscal year 2019 demolition of two campus buildings at the start of the related capital projects: Dukes Dining and Foundation Hall (constructed by the JMU Foundation); no similar disposals occurred during fiscal year 2020.

The following graphical illustration presents total operating expenses for fiscal year 2020 by function.



	2020	2019	Change Amount	Percent
Operating expenses:				
Instruction	178,383	175,338	$ 3,045	1.7%
Research	2,847	2,901	(54)	-1.9%
Public service	16,561	14,803	1,758	11.9%
Academic support	50,721	49,821	900	1.8%
Student services	22,003	22,004	(1)	0.0%
Institutional support	51,008	33,376	17,632	52.8%
Operation and maintenance - plant	47,323	45,575	1,748	3.8%
Depreciation	48,905	45,116	3,789	8.4%
Student aid	22,637	10,536	12,101	114.9%
Auxiliary activities	123,234	145,520	(22,286)	-15.3%
Total operating expenses	**563,622**	**544,990**	**18,632**	**3.4%**

Total 2020 operating expenses increased $18.6 million, or three percent. Compensation expenses, consisting of the natural expense classifications salaries, wages, and fringe benefits, comprise the largest University expense. Compensation expenses comprised 59% of the University's total operating expenses in 2020 and 56% in 2019. Compensation expense increased by approx. $25.0 million, or eight percent, which was largely due to changes in the accruals for pensions and OPEBs. For fiscal year 2020, that accrual increased by $10.5 million over the prior year, resulting in remaining increase in compensation expense of $14.5 million, or four percent. The remaining overall increase in operating expenses is a result of the disbursement of Federal CARES Act funds to students ($6.0 million).

Net non-operating revenue and expenses totaled $120.7 million, an increase of $26.3 million from the prior year. This increase is attributable to the increases in non-operating revenues discussed in the previous section.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the University's cash activity during the year. Operating cash flows will always be different from the operating loss on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes non-cash items such as depreciation expense, and the Statement of Cash Flows presents cash inflows and outflows without regard to accrual items. The Statement of Cash Flows assists readers in assessing the ability of an institution to generate sufficient cash flows necessary to meet obligations.

The statement is divided into five sections. The first section shows the net cash used by the University's operating activities. The second section reflects the cash flows from non-capital financing activities and includes state appropriations for the University's educational and general programs and financial aid. This information represents the cash received and spent for items other than operating, investing, and capital financing purposes. The section that follows itemizes cash flows from capital financing activities, which presents cash used for the acquisition and construction of capital and related items. The next section shows cash flows related to purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash used by operating activities to the operating loss reflected on the SRECNP.

Statement of Cash Flows
(in thousands)

	2020	2019	Change Amount	Change Percent
Cash provided (used) by:				
Operating activities	$ (53,550)	$ (43,008)	$ (10,542)	24.5%
Non-capital financing activities	127,710	106,512	21,198	19.9%
Capital financing activities	(118,151)	(39,537)	(78,614)	198.8%
Investing activities	3,748	2,570	1,178	45.8%
Net increase in cash	**(40,243)**	**26,537**	**(66,780)**	**-251.6%**
Cash - beginning of the year	260,756	234,219	26,537	11.3%
Cash - end of the year	**$ 220,513**	**$ 260,756**	**$ (40,243)**	**-15.4%**

Major sources of cash from operating activities include student tuition and fees ($233.2 million in 2020 and $229.1 million in 2019), auxiliary enterprises receipts ($180.2 million in 2020 and $196.1 million in 2019), and grants and contracts ($30.4 million in 2020 and $28.3 million in 2019). Major uses of cash include payments for salaries, wages, and fringe benefits ($318.1 million in 2020 and $311.4 million in 2019), payments for supplies, services, and utilities ($132.9 million in 2020 and $154.8 million in 2019), and payments for non-capitalized plant improvements and equipment ($29.0 million in 2020 and $26.6 million in 2019).

Cash flows from non-capital financing activities include state appropriations for the University's educational and general programs and financial aid of $106.0 million and $95.1 million in 2020 and 2019, respectively. The cash flows from capital financing activities section deals with cash used for the acquisition and construction of capital and related items. Primary sources of cash from capital financing activities in 2020 and 2019 include capital appropriations and contributions ($42.2 million in 2020 and $44.9 million in 2019) and proceeds from issuance of capital related debt (no new debt issuances in 2020, and $138.8 million in 2019). Significant cash outflows include purchases and construction of capital assets ($124.5 million in 2020 and $194.2 million in 2019) and repayment of principal and interest on capital related debt ($41.5 million in 2020 and $37.1 million in 2019).

Economic Outlook

As part of the Commonwealth of Virginia's statewide system of higher education, the University's economic outlook is closely tied to that of the Commonwealth. Economic factors related to the Commonwealth can be found in the Commonwealth's Annual Comprehensive Financial Report (ACFR). As a result of the COVID-19 global outbreak, an immense amount of instability and uncertainty continues to exist in the national and global economies. The COVID-19 pandemic has had a significant impact on the University, to which the full extent is not yet known. For 2021, the University estimates an over $48 million revenue shortfall, primarily in the areas of out-of-state tuition, dining, and housing. The University incurred additional expenses as programs were implemented to mitigate the pandemic's impact. Mitigation strategies included the implementation of a hiring freeze, across-the-board budget reductions, elimination of travel, renegotiated contracts, and the use of reserves. The University received $4.1 million in Federal Coronavirus Relief Funds to cover costs associated with distance learning, technology enhancements, personal protective equipment, and testing for students, faculty and staff. The University will also receive $11.85 million in Federal Coronavirus Response and Relief Supplemental Appropriations Act funds to defray lost revenue.

As a public institution, the University receives significant Commonwealth support from operating and capital appropriations. In 2020, state operating appropriations covered 27% of operating expenses, excluding auxiliary activities and depreciation. The General Assembly's budget actions taken during the 2020 legislative session for 2021 and 2022 put the University in a solid financial position, including tuition moderation funding that allowed us to hold tuition rates level for another year. Due to the pandemic, the Governor recommended all new funds in the state budget (including funds for tuition moderation, compensation increases, and special higher education initiatives) be put on hold pending review of state revenues through the end of 2020. The Governor called the General Assembly into a special session following the 2020 fiscal year-end report to the General Assembly's money committees. That session was necessary to adopt a revised budget based on the revised revenue forecast in light of the ongoing COVID-19 pandemic. While the revised budget paused new funding initiatives, it avoided a state budget reduction for James Madison University. During the 2021 legislative session, the Governor announced additional general fund resources from a mid-session revenue reforecast. The current pending budget restores and enhances the actions taken in the 2020 legislative session for 2021 and 2022.

The University remains well-positioned to adjust as circumstances evolve over the remainder of the current fiscal year. The University expects its budgetary response to COVID-19 will remain fluid and continue to evolve into the foreseeable future.

Page Left Intentionally Blank

FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2020 (with comparative information as of June 30, 2019)

	2020		2019	
	James Madison University	Component Unit	James Madison University	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	$ 214,012,005	$ 8,564,906	$ 203,831,100	$ 5,939,311
Securities lending - Cash and cash equivalents (Note 2)	11,589,454	-	10,859,654	-
Short-term investments (Note 2)	4,461,657	-	3,691,998	-
Accounts receivable (Net of allowance for doubtful accounts of $1,231,298 and $933,146 for 2020 and 2019, respectively) (Note 3)	8,767,241	46,597	6,090,145	72,679
Contributions receivable (Net of allowance for doubtful contributions of $129,075 and $88,764 for 2020 and 2019, respectively) (Note 3)	-	3,628,483	-	3,728,009
Due from the Commonwealth (Note 4)	5,045,914	-	3,348,254	-
Prepaid expenses	9,025,647	110,012	9,382,148	91,475
Prepaid expenses to component unit	997,087	-	360,409	-
Inventory	857,126	-	921,683	-
Notes receivable (Net of allowance for doubtful accounts of $44,553 and $51,160 for 2020 and 2019, respectively)	206,078	-	262,214	-
Total current assets	254,962,209	12,349,998	238,747,605	9,831,474
Non-current assets:				
Restricted cash and cash equivalents (Note 2)	6,501,365	-	56,924,720	-
Endowment investments (Note 2)	-	81,516,981	-	77,052,740
Other long-term investments (Note 2)	3,410,696	64,291,697	3,408,337	61,000,505
Land held for future use	-	6,264,640	-	6,264,640
Contributions receivable (Net of allowance for doubtful contributions of $211,158 and $231,040 for 2020 and 2019 respectively) (Note 3)	-	9,249,469	-	11,187,008
Prepaid expenses	352,441	-	540,073	-
Notes receivable (Net of allowance for doubtful accounts of $196,275 and $231,147 for 2020 and 2019, respectively)	907,854	11,238,916	1,187,332	11,820,702
Capital assets, net: (Note 5)				
Non-depreciable	186,105,909	8,843,418	258,062,340	1,295,376
Depreciable	1,165,512,367	2,748,446	1,015,759,265	2,846,709
OPEB asset (Note 12)	4,726,638	-	5,202,000	-
Other assets	-	2,145	-	2,145
Total non-current assets	1,367,517,270	184,155,712	1,341,084,067	171,469,825
DEFERRED OUTFLOW OF RESOURCES				
Related to debt refundings (Note 9)	7,803,000	-	8,889,377	-
Related to pensions (Note 11)	39,966,977	-	21,956,588	-
Related to OPEB (Note 12)	12,514,191	-	8,541,919	-
Total deferred outflow of resources	60,284,168	-	39,387,884	-
Total assets and deferred outflow of resources	$ 1,682,763,647	$ 196,505,710	$ 1,619,219,556	$ 181,301,299

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2020 (with comparative information as of June 30, 2019)

	2020		2019	
	James Madison University	Component Unit	James Madison University	Component Unit
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses (Note 6)	$ 62,762,300	$ 1,033,161	$ 62,210,293	$ 612,685
Unearned revenue	13,867,182	761,095	10,710,207	96,750
Unearned revenue from James Madison University	-	997,087	-	360,409
Obligations under securities lending	11,589,454	-	10,859,654	-
Deposits held in custody for others	392,573	-	1,126,744	-
Long-term liabilities - current portion (Note 7)	33,833,699	939,061	35,066,452	834,129
OPEB liability - current portion (Note 12)	1,048,596	-	1,949,782	-
Total current liabilities	123,493,804	3,730,404	121,923,132	1,903,973
Non-current liabilities:				
Long-term liabilities (Note 7)	456,053,530	19,549,688	476,803,940	13,018,262
Net pension liability (Note 11)	174,090,525	-	143,854,000	-
OPEB liability (Note 12)	65,528,904	-	73,120,857	-
Total non-current liabilities	695,672,959	19,549,688	693,778,797	13,018,262
DEFERRED INFLOW OF RESOURCES				
Related to debt refundings (Note 9)	38,410	-	38,130	-
Related to pensions (Note 11)	8,960,239	-	12,440,000	-
Related to OPEB (Note 12)	31,614,387	-	23,625,836	-
Total deferred inflow of resources	40,613,036	-	36,103,966	-
Total liabilities and deferred inflow of resources	859,779,799	23,280,092	851,805,895	14,922,235
NET POSITION				
Net investment in capital assets	893,077,902	3,002,150	841,549,211	2,627,640
Restricted for:				
Non-expendable:				
Scholarships and fellowships	-	51,243,172	-	48,691,258
Research and public service	-	1,247,047	-	1,107,452
Other	-	33,345,206	-	32,263,669
Expendable:				
Scholarships and fellowships	-	20,697,023	-	17,613,314
Research and public service	2,621,946	1,561,832	1,868,223	1,529,647
Debt service	141,807	-	216,748	-
Capital projects	3,016,017	9,712,266	93,888	12,001,576
Loans	144,682	-	246,812	-
Other	4,726,638	30,311,298	5,202,000	30,404,231
Unrestricted	(80,745,144)	22,105,624	(81,763,221)	20,140,277
Total net position	$ 822,983,848	$ 173,225,618	$ 767,413,661	$ 166,379,064

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

Page Left Intentionally Blank

JAMES MADISON UNIVERSITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2020 (with comparative information for the year ended June 30, 2019)

	2020		2019	
	James Madison University	Component Unit	James Madison University	Component Unit
Operating revenues:				
Student tuition and fees (Net of scholarship allowances of $22,335,989 and $22,866,064 for 2020 and 2019, respectively)	$ 232,874,151	$ -	$ 237,022,893	$ -
Gifts and contributions	-	11,964,200	-	14,211,180
Federal grants and contracts	14,497,711	-	13,130,423	-
State grants and contracts	9,124,583	-	8,567,449	-
Non-governmental grants and contracts	6,129,531	-	6,008,683	-
Auxiliary enterprises (Net of scholarship allowances of $14,706,637 and $15,738,243 for 2020 and 2019, respectively) (Note 13)	179,852,226	-	196,241,132	-
Sales and Services of Education and General Activities	2,805,433	-	2,622,377	-
Other operating revenues	3,702,165	727,726	3,703,854	739,644
Total operating revenues	448,985,800	12,691,926	467,296,811	14,950,824
Operating expenses (Note 14):				
Instruction	178,382,743	508,344	175,338,308	769,201
Research	2,846,557	36,050	2,900,887	24,656
Public service	16,560,806	144,997	14,802,475	346,121
Academic support	50,721,012	1,118,613	49,821,182	1,335,092
Student services	22,003,262	51,585	22,004,429	86,163
Institutional support	51,008,364	8,130,739	33,375,561	7,755,297
Operation and maintenance - plant	47,323,523	4,677,922	45,574,744	2,121,534
Depreciation	48,904,659	102,046	45,116,016	102,066
Student aid	22,637,533	3,928,390	10,536,369	3,869,399
Auxiliary activities (Note 13)	123,233,603	1,158,318	145,520,296	1,476,916
Total operating expenses	563,622,062	19,857,004	544,990,267	17,886,445
Operating loss	(114,636,262)	(7,165,078)	(77,693,456)	(2,935,621)
Non-operating revenues/(expenses):				
State appropriations (Note 15)	106,061,649	-	95,112,700	-
Grants and contracts (Note 1 S.)	25,682,315	-	13,951,575	-
Gifts	1,040	-	1,335	-
Investment income (Net of investment expense of $157,026 and $315,612 for the University and $374,188 and $386,236 for the Foundation for 2020 and 2019, respectively)	4,195,660	6,353,986	4,249,079	5,999,633
In-Kind support from James Madison University	-	4,922,470	-	4,386,345
Interest on capital asset - related debt	(11,247,289)	(551,217)	(11,573,590)	(587,149)
Gain(Loss) on disposal of plant assets	(843,145)	-	(4,350,386)	36,618
Payment to the Commonwealth	(3,098,291)	-	(2,929,583)	-
Net non-operating revenues/(expenses)	120,751,939	10,725,239	94,461,130	9,835,447
Income/(loss) before other revenues, expenses, gains or losses	6,115,677	3,560,161	16,767,674	6,899,826
Capital appropriations and contributions (Note 16)	43,885,213	-	44,548,408	-
Capital gifts	5,569,297	-	2,924,895	-
Additions to permanent endowments	-	3,286,393	-	6,431,954
Net other revenues	49,454,510	3,286,393	47,473,303	6,431,954
Increase in net position	55,570,187	6,846,554	64,240,977	13,331,780
Net position - beginning of year, as restated (Note 1 W.)	767,413,661	166,379,064	703,172,684	153,047,284
Net position - end of year	$ 822,983,848	$ 173,225,618	$ 767,413,661	$ 166,379,064

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

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020 (with comparative information for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Student tuition and fees	$ 233,183,715	$ 229,054,411
Grants and contracts	30,361,089	28,301,775
Auxiliary enterprises	180,172,635	196,051,849
Other receipts	5,748,239	6,515,570
Payments for compensation and benefits	(318,104,382)	(311,376,711)
Payments for services, supplies and utilities	(132,907,433)	(154,827,565)
Payments for scholarships and fellowships	(22,637,533)	(10,536,369)
Payments for non-capitalized plant improvements and equipment	(28,953,510)	(26,622,470)
Refunds to the federal government (Perkins loan contributions)	(769,829)	-
Collections of loans from students	357,451	431,089
Net cash used by operating activities	(53,549,558)	(43,008,421)
Cash flows from noncapital financing activities:		
State appropriations	106,024,389	95,064,326
Nonoperating grants and contracts	25,343,892	13,541,534
Payment to the Commonwealth	(3,098,291)	(2,929,583)
Loans issued to students and employees	(3,519)	(12,751)
Collections of loans from students and employees	4,369	11,901
Gifts and grants for other than capital purposes	1,040	1,335
Federal direct lending program receipts	100,969,984	103,596,218
Federal direct lending program disbursements	(100,969,984)	(103,596,218)
Custodial receipts	4,443,416	10,426,316
Custodial payments	(5,005,478)	(9,590,341)
Net cash provided by noncapital financing activities	127,709,818	106,512,737
Cash flows from capital and related financing activities:		
Capital appropriations and contributions	42,224,813	44,899,515
Proceeds from capital debt	-	138,789,139
Proceeds from sale of capital assets	102,065	5,295,822
Capital gifts	5,500,000	2,750,000
Purchase of capital assets	(124,497,846)	(194,157,284)
Principal paid on capital debt, leases, and installments	(22,835,896)	(20,905,589)
Interest paid on capital debt, leases, and installments	(18,644,524)	(16,208,855)
Net cash used by capital and related financing activities	(118,151,388)	(39,537,252)
Cash flows from investing activities:		
Interest on investments	934,931	2,801,204
Interest on cash management pools	3,881,167	3,659,835
Proceeds from sale of investments	-	255,212
Purchase of investments	(1,067,420)	(4,146,199)
Net cash provided by investing activities	3,748,678	2,570,052
Net increase in cash	(40,242,450)	26,537,116
Cash and cash equivalents - beginning of the year	260,755,820	234,218,704
Cash and cash equivalents - end of the year	$ 220,513,370	$ 260,755,820

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020 (with comparative information for the year ended June 30, 2019)

	2020	2019
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (114,636,262)	$ (77,693,456)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	48,904,659	45,116,016
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Receivables, net	(2,677,096)	764,066
Prepaid expenses	(92,545)	730,090
Inventory	64,557	244,223
Notes receivable, net	334,764	417,015
OPEB asset	475,362	(534,000)
Deferred outflows of resources - pension and OPEB	(21,982,661)	304,328
Accounts payable and accrued expenses	4,354,390	1,851,610
Unearned revenue	3,156,975	(8,133,350)
Net Pension liability	30,236,525	(7,589,000)
OPEB liability	(8,493,139)	(8,842,053)
Accrued compensated absences	1,107,613	516,762
Accrued retirement plan	1,900,539	(1,113,107)
Federal loan programs contributions refundable	(712,029)	42,889
Deferred inflows of resources - pension and OPEB	4,508,790	10,909,546
Net cash used by operating activities	$ (53,549,558)	$ (43,008,421)
NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:		
Gift of capital assets	$ 7,495	$ -
Amortization of bond premium/discount and gain/loss on debt refinancing	$ (2,677,501)	$ (2,720,696)
Capitalization of interest revenue and expense, net	$ (4,406,953)	$ (1,610,467)
Change in fair value of investments recognized as a component of interest income	$ 54,865	$ 81,036
Loss on disposal of capital assets	$ (945,210)	$ (9,646,208)

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

JAMES MADISON UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
For the year ended June 30, 2020

	Custodial Funds - Other
ASSETS	
Cash and cash equivalents (Note 2)	$ 322,196
Other long-term investments (Note 2)	457,972
Total assets	780,168
LIABILITIES	
Total liabilities	-
NET POSITION	
Restricted for:	
Organizations and other governments	780,168
Total fiduciary net position	$ 780,168

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

The statements above do not include fiduciary activities for which the University holds resources for a period normally expected to be less than three months.

JAMES MADISON UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended June 30, 2020

	Custodial Funds - Other
Additions:	
Interest	$ 7,972
Conference registrations	211,841
Other	60,708
Total additions	280,521
Deductions:	
Food services	104,923
Building and equipment rentals	29,724
Other	45,297
Total deductions	179,944
Net increase in fiduciary net position	100,577
Net position - beginning of year	679,591
Net position - end of year	$ 780,168

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

The statements above do not include fiduciary activities for which the University holds resources for a period normally expected to be less than three months.

Page Left Intentionally Blank

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, the James Madison University Foundation, Inc. is included as a component unit of the University. The Foundation is a legally separate, tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fundraising and funds management efforts that benefit the University and its programs. The 20-member board of the Foundation is self-perpetuating and consists of friends and supporters of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the financial statements.

During the year ended June 30, 2020, the Foundation distributed $13,480,490 to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by writing the Chief Financial Officer, JMU Foundation, Inc., MSC 8501, Harrisonburg, Virginia 22807.

B. Financial Statement Presentation

The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*.

GASB Statements No. 34 and 35 standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Under this guidance, the University is required to include a management's discussion and analysis (MD&A), basic financial statements, and notes to the financial statements.

The following GASB statements of standards became effective in fiscal year 2020: Statement No. 84, *Fiduciary Activities*; Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61, and Statement No. 92, *Omnibus 2020* (paragraphs 11 and 13 only). Only Statement No. 84 had a significant effect upon the University's financial statements for the current year. Statement No. 84 establishes criteria for identifying fiduciary activities and specifies how governments account for and report these activities in the financial statements. The statement requires public institutions with material fiduciary activities to include fiduciary fund financial statements with the basic financial statements. The statement offers a significant exemption for public institutions operating as a special-purpose government engaged only in business-type activities. This exemption allows the University to not report fiduciary fund financial statements for custodial activities when the related assets are held for three months or less. The University's implementation had a significant impact on net assets, as further disclosed in Note 1 paragraph W.

The Foundation is a private, non-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

C. Basis of Accounting

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

D. Cash Equivalents and Investments

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

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*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

E. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, and amounts due for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state and local governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the

University's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts.

F. Prepaid Expenses

The University has recorded certain expenses for future fiscal years that were paid in advance as of June 30, 2020. Payments of expenses that extend beyond fiscal year 2021 are classified as a non-current asset. Prepaid expenses consist primarily of information technology maintenance contracts, property leases, and insurance.

G. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market and consist primarily of expendable supplies held for consumption.

H. Capital Assets

Capital assets consisting of land, buildings, infrastructure, computer software and equipment are stated at cost at date of acquisition, or acquisition value at date of donation for gifts. Library materials are valued using published average prices for library acquisitions. The University capitalizes construction costs that have a value or cost in excess of $200,000 at the date of acquisition. Renovation costs are capitalized when expenses total more than $200,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense.

Equipment is capitalized when the unit acquisition cost is $5,000 or greater and the estimated useful life is more than two years. Computer software is capitalized when the unit acquisition or development costs are $100,000 or greater and the estimated useful life is more than two years. Expenses related to construction are capitalized at actual cost as they are incurred (construction-in-progress).

Construction period interest cost in excess of earnings associated with related debt proceeds is capitalized as a component of the final asset. The University incurred and capitalized net interest expense related to the construction of capital assets totaling $4,406,953 for this fiscal year.

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

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

Buildings	25-50 years
Other improvements and infrastructure	20 years
Equipment	5-20 years
Computer software	5 years
Library material	5 years

I. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Position. Assets that will be used to liquidate current liabilities, including capital project liabilities that are expected to be paid within one year, are classified as current assets.

J. Unearned Revenue

Unearned revenue represents revenues collected but not earned as of June 30. This consists primarily of revenue for student tuition and certain auxiliary activities accrued in advance of the semester, and advance payments on grants and contracts. To approximate unearned revenues related to summer tuition, the University utilizes an estimate based on summer session credit hours earned in the next fiscal year.

K. Deposits Held in Custody for Others

Deposits held in custody represents funds held by the University related to various groups and organizations that do not qualify as fiduciary activities or for which revenue recognition will be based on a future event (e.g., forfeiture of room damage deposit due to condition of dorm room at end of housing contract). The University records balances related to additions and deductions for fiduciary activities that are expected to be settled within three months or less in the Statement of Net position as deposits held in custody for others.

L. Long-term Debt and Debt Issue Costs

Long-term debt on the Statement of Net Position is reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs are expensed as non-operating expenses.

M. Accrued Compensated Absences

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

N. 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. See Note 11 for more information about pension plans.

O. Other Post-Employment Benefits

VRS: Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

VRS: State Employee Health Insurance Credit Program

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

VRS: Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees.

VRS: Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

For purposes of measuring each net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to each OPEB, and each OPEB's related expense, information about the fiduciary net position of each Virginia Retirement System (VRS) program OPEB and the additions to/deductions from each OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Virginia DHRM: Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, James Madison University no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

See Note 12 for more information about other post-employment benefits.

P. Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, and federal work-study and Perkins loans programs. Federal programs are audited in accordance with Title 2, Part 200 of the U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Q. Deferred Inflows and Outflows 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.

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.

R. Net Position

GASB Statement No. 63 requires that the Statement of Net Position report the difference between assets, deferred outflows, liabilities and deferred inflows as net position, not net assets or fund balances. Net position is classified as net investment in capital assets, restricted, and unrestricted. "Net investment in capital assets" consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints on the net asset/deferral use are either externally imposed by creditors, grantors, or contributors or imposed by law. Unrestricted net position consists of net assets/deferrals that do not meet the definitions above. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to use restricted resources first, then unrestricted resources as needed.

S. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowance; and (3) most federal, state, and non-governmental grants and contracts. With the exception of interest expense, losses on disposal of fixed assets, and payment to the commonwealth, the University classifies all expense transactions as operating expenses.

Non-operating revenues include activities that have the characteristics of non-exchange transactions as defined by GASB Statement No. 9 and GASB Statement No. 34. The University relies on and budgets these revenues for basic operational support of the institutional mission. Non-operating revenues include state appropriations, investment and interest income, and grants and contracts. Prior to 2020, the line item "non-operating grants and contracts" primarily consisted of Federal Pell grant receipts. For 2020, "non-operating grants and contracts" include Pell grants and $12,080,658 for Federal CARES Act funding. The CARES Act funding consisted of two equal portions of $6,040,329 each. The first portion was for direct emergency aid to students. The University fully disbursed that aid and the related expense was reported on the line item "operating expenses student aid." The second portion was for institutional aid, and those funds were used to reimburse the University for refunds made to students for housing, dining, and parking services that could not be provided due to the Coronavirus pandemic.

T. Scholarship Discounts and Allowances

Student tuition and fees revenues, certain auxiliary revenues, and student aid expenses, are reported net of scholarship discounts and allowances in the Statements of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Scholarship discounts and allowances are reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a computation that calculates scholarship discounts and allowances on a University-wide basis, rather than on an individual student basis.

U. Commonwealth Equipment and Capital Project Reimbursement Programs

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2020, funding has been provided to the University from two programs managed by the Virginia College Building Authority (VCBA): 21st Century and Equipment Trust Fund. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The Statement of Net Position line item "Due from the Commonwealth" includes pending reimbursements at year-end from these programs, as further described in Note 4. The Statement of Revenue, Expenses, and Changes in Net Position line item "Capital appropriations and contributions" includes reimbursements during the year for the acquisition of equipment and facilities under these programs, as further described in Note 16.

V. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the University's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

W. Adjustment to Beginning Net Position

The University's beginning net position, as of July 1, 2018 has been adjusted. The adjustment is due to the implementation of GASB Statement No. 84 *Fiduciary Activities.* Prior year balances were restated due to the reclassification of certain activities not meeting GASB Statement No. 84's criteria for fiduciary activities. The calculated adjustment is as follows:

Net Position, July 1, 2018	$699,301,363
Custodial funds reclassified to Unrestricted	3,871,321
Adjusted Net Position, July 1, 2018	$ 703,172,684

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents and investments as of June 30, 2020. The following risk disclosures are required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*:

- Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investment or collateral securities at are in the possession of an outside party. The University had no category 3 deposits or investments for 2020.

- Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This statement requires the disclosure of the credit quality ratings on any investments subject to credit risk.

- Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. This statement requires disclosure of investments with any one issuer with more than five percent of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University places no limit on the amount that may be invested in any one issuer. The following issuers hold more than five percent of the University's investments as of June 30, 2020: United Bank (16.12%) and Atlantic Union Bank (22.02%).

- Interest Rate Risk – The risk that interest rate changes will adversely affect the fair value of an investment. This statement requires disclosure of maturities for any investments subject to interest rate risk. The University does not have an interest rate risk policy.

- Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had foreign deposits of $963,327 in 2020, consisting of $685,178 in Euros, $268,028 in Great Britain Pounds Sterling, and $10,121 in Swiss Francs. The University does not have a foreign currency risk policy.

A. 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. Except for cash held in foreign banks, cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. These amounts are insured in accordance with the banking regulations of the respective countries where the funds are maintained. In accordance with the GASB Statement No. 9's definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, cash deposits, including certificates of deposits and temporary investments with original maturities of 90 days or less, and cash equivalents under the state non-arbitrage (SNAP®) and local government investment pool (LGIP) programs.

The Virginia State Non-Arbitrage Program® (SNAP®) offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP® is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost.

The Local Government Investment Pool (LGIP) enables governmental entities to maximize their return on investments by providing for a State-administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is managed in accordance with the requirements of GASB Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost.

B. Investments

The Board of Visitors established the University's investment policy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., Code of Virginia. Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

GASB Statement No. 72, *Fair Value Measurement and Application* establishes general principles for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. A fair value hierarchy of inputs is used in measuring fair value and requires that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing an asset or liability based on market data obtained from sources independent of the University. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities that University has the ability to access.
- *Level 2* - Observable inputs other than quoted prices included in Level 1 that are not observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, and/or prices for similar instruments in inactive markets.
- *Level 3* - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the University's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

For purposes of determining fair value of investments as of June 30, 2020, the University utilizes Level 1 and Level 2 inputs. Sources of these inputs may include observable price information, and/or quotations received from market makers, brokers, dealers and/or counterparties (when available and considered reliable) provided by independent pricing services or derived from market data.

Cash, cash equivalents, and investments consisted of the following at June 30, 2020:

	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	1-5 Years	GASB 72 Fair Value Measurement: Not Applicable to Fair Value Measurement	Level 1	Level 2
Cash:							
Cash with the Treasurer of Virginia		$ 187,424,548	$ -	$ -	$ 187,424,548	$ -	$ -
Cash on hand and deposits with financial institutions		26,799,024	-	-	26,799,024	-	-
Total Cash		214,223,572	-	-	214,223,572	-	-
Cash Equivalents:							
Money market accounts with financial institutions:							
BB&T	N/A	515,216	515,216	-	515,216	-	-
Bank of the James	N/A	1,030,045	1,030,045	-	1,030,045	-	-
United Bank	N/A	523,609	523,609		523,609	-	-
Atlantic Union Bank	N/A	2,593,483	2,593,483	-	2,593,483	-	-
Treasurer of Virginia (Securities Lending)	N/A	11,589,454	11,589,454		11,589,454		
Treasurer of Virginia (STIF)	N/A	173	173	-	173	-	-
Treasurer of Virginia (SNAP)	AAAm	1,359,598	1,359,598	-	1,359,598	-	-
Treasurer of Virginia (LGIP)	AAAm	589,869	589,869		589,869		
Total Cash Equivalents		18,201,447	18,201,447	-	18,201,447	-	-
Total Cash and Cash Equivalents		232,425,019	18,201,447	-	232,425,019	-	-
Investments not with the Treasurer of Virginia:							
Certificates of Deposit - United Bank*	N/A	1,342,864	-	1,342,864	1,342,864	-	-
Certificates of Deposit - Atlantic Union Bank*	N/A	1,833,924	-	1,833,924	1,833,924	-	-
Wells Fargo Advisors Money Market	AAAm	641,924	641,924	-	641,924	-	-
Mutual Funds:							
Washington Mutual	N/A	502,231	502,231	-	-	502,231	-
Wells Fargo Advisors	AAAm	233,560	233,560	-	-	233,560	-
Income Fund of America	Various	62,756	62,756	-	-	62,756	-
Brokered Certificates of Deposit - Loomis	N/A	3,713,067	3,021,187	691,880	-	-	3,713,067
Total Investments		8,330,326	4,461,658	3,868,668	3,818,712	798,547	3,713,067
Total Cash, Cash Equivalents and Investments at Fair Value		$ 240,755,345	$ 22,663,105	$ 3,868,668	$ 236,243,731	$ 798,547	$ 3,713,067

**These investments are maturing in less than one year based on fiscal year-end, but are classified here as long-term based on original maturity.*

C. James Madison University Foundation Cash and Investments

The following information is provided with respect to the Foundation's cash, cash equivalents and investments at June 30, 2020. The Foundation considers cash in demand deposit accounts and short-term certificates of deposit to be cash equivalents. The balances in these accounts are subject to electronic transfer for investment purposes and at times exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net position unless the income or loss is restricted by donor or law.

The Investment Committee of the Foundation's Board of Directors establishes the investment policies, objectives, and guidelines. The major portions of the investments are maintained in a portfolio managed by the Foundations' investment advisors. As prescribed by FASB ASC 820, investments are placed into one of three categories based on the inputs used in valuation techniques. As of June 30, 2020 the foundation held investments totaling $45,895,555 and $2,145,674 in categories 1 and 2, respectively. Life insurance policies are not categorized as to credit risk. The Foundation's investments by type of security are as follows:

	Fair Value	Cost
Cash and cash equivalents	$ 14,238,127	$ 14,238,127
Certificate of deposit	941,194	927,597
US treasury securities	236,637	235,341
Corporate debt securities	1,417,739	1,402,953
Common stock	297,474	157,086
Mutual funds	30,182,123	26,267,826
Privately Managed Investment Pools	97,767,449	74,539,551
Life insurance policies	727,935	-
Total	$ 145,808,678	$ 117,768,481

D. Securities Lending Transactions

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future.

The investments under securities lending (reported as either "cash equivalents" or "short-term investments") and the securities lending transactions reported on the financial statements represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains and losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide basis in the Commonwealth of Virginia's ACFR.

3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2020:

Student tuition and fees	$	4,859,316
Auxiliary enterprises		1,268,057
Federal, state, and non-governmental grants and contracts		3,403,229
Other activities		467,937
Total		9,998,539
Less: allowance for doubtful accounts		1,231,298
Net accounts receivable	$	8,767,241

The Foundation's contributions receivable consisted of the following at June 30, 2020:

Due in less than one year	$	3,757,558
Due between one and five years		8,147,141
Due in more than five years		1,876,628
Total		13,781,327
Less: present value discount (1% - 6%)		563,142
Less: allowance for doubtful accounts		340,233
Net contributions receivable	$	12,877,952

4. DUE FROM THE COMMONWEALTH

Due from the Commonwealth consisted of the following at June 30, 2020:

Treasury programs reimbursement due:		
Equipment Trust Fund	$	2,309,646
21st Century		2,688,120
Appropriations available - Financial Aid		48,148
Total	$	5,045,914

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2020 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	$ 82,750,116	$ 1,226,603	$ 136,297	$ 83,840,422
Inexhaustible artwork and historical treasures	2,387,348	-	-	2,387,348
Construction-in-progress	172,924,876	118,197,370	191,244,107	99,878,139
Total non-depreciable capital assets	258,062,340	119,423,973	191,380,404	186,105,909
Depreciable capital assets:				
Buildings	1,211,571,177	174,949,645	290,951	1,386,229,871
Infrastructure	99,761,653	12,621,195	-	112,382,848
Computer Software	13,034,250	871,718	-	13,905,968
Equipment	98,601,291	5,613,279	4,107,588	100,106,982
Other improvements	62,047,916	2,756,311	791,329	64,012,898
Library materials	60,943,110	2,673,026	2,557,603	61,058,533
Total depreciable capital assets	1,545,959,397	199,485,174	7,747,471	1,737,697,100
Less accumulated depreciation for:				
Buildings	331,126,611	31,029,392	132,122	362,023,881
Infrastructure	50,776,128	4,678,694	-	55,454,822
Computer Software	11,713,054	517,895	-	12,230,949
Equipment	57,200,859	6,679,540	3,841,178	60,039,221
Other Improvements	27,049,509	3,148,141	389,155	29,808,495
Library materials	52,333,971	2,850,997	2,557,603	52,627,365
Total accumulated depreciation	530,200,132	48,904,659	6,920,058	572,184,733
Depreciable capital assets, net	1,015,759,265	150,580,515	827,413	1,165,512,367
Total capital assets, net	$ 1,273,821,605	$ 270,004,488	$ 192,207,817	$ 1,351,618,276

The Foundation's net capital assets consist of $11,491,273 in property and equipment, and $100,591 in collections of historical artifacts for the year ending June 30, 2020.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2020:

Employee salaries, wages, and fringe benefits payable	$ 37,413,605
Vendors and suppliers accounts payable	2,965,926
Employee benefit withholdings and WTA (primarily VRS)	3,135,365
Capital projects accounts and retainage payable	14,682,865
Accrued interest payable on bond debt	4,564,539
Total accounts payable and accrued expenses	$ 62,762,300

7. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 8), accrued supplemental retirement plan (further described in Note 10), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2020 is presented as follows:

Long-term debt:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Revenue bonds	$ 289,315,000	$ -	$ 13,730,000	275,585,000	$ 13,255,000	$ 262,330,000
General obligation bonds	163,294,476	2,270,000	11,507,439	154,057,037	9,522,710	144,534,327
Bond premium	40,733,783	159,676	3,786,282	37,107,177	3,227,795	33,879,382
Total long-term debt	493,343,259	2,429,676	29,023,721	466,749,214	26,005,505	440,743,709
Accrued retirement plan	8,764,185	4,526,631	2,625,687	10,665,129	2,907,134	7,757,995
Accrued compensated absences	7,647,274	8,224,049	7,116,436	8,754,887	4,921,060	3,833,827
Cares Act FICA deferral	-	2,314,354	-	2,314,354	-	2,314,354
Federal loan program contributions	2,115,674	57,800	769,829	1,403,645	-	1,403,645
Total long-term liabilities	$ 511,870,392	$ 17,552,510	$ 39,535,673	$ 489,887,229	$ 33,833,699	$ 456,053,530

8. LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education Financing Program

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

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

Description	Interest Rates (%)	Fiscal Year Maturity	2020
Revenue bonds:			
Multipurpose Recreation Fields, Series 2009A	3.25 – 5.00	2021	20,000
Multipurpose Recreation Fields, Series 2015B	3.00 – 5.00	2029	3,845,000
Softball/Baseball Complex, Series 2009A	3.25 – 5.00	2021	15,000
Softball/Baseball Complex, Series 2015B	3.00 – 5.00	2029	3,655,000
Renov/Expand Athletics/Recreation 2016A	3.00 – 5.00	2030	17,075,000
Renov/Expand Athletics/Recreation 2010A	4.00 – 5.50	2031	6,140,000
Renov/Expand Bridgeforth Stadium 2016A	3.00 – 5.00	2030	26,755,000
Grace St. acquisition, Series 2010A	4.00 – 5.50	2031	5,535,000
RMH property acquisitions, Series 2010A	4.00 – 5.50	2031	4,925,000
Construct Student Health Ctr, 2012B	3.00 – 5.00	2033	7,980,000
Renovate West Wing RMH-Dining, 2012B	3.00 – 5.00	2033	4,030,000
Renov/Expand Recreation Center, 2014A	5.00	2035	40,180,000
Parking, Series 2014B	5.00	2024	1,970,000
Parking, Series 2016A	3.00	2027	1,705,000
Acq of Land, Athletics, Series 2014B	5.00	2024	910,000
Acq of Land, Athletics, Series 2016A	3.00	2027	790,000
Mason Street Parking Deck, Series 2015A	3.00 – 5.00	2036	6,710,000
Property acquisition, Series 2014B	4.00 – 5.00	2026	3,710,000
Property acquisition, Series 2016A	3.00 – 5.00	2028	1,530,000
New Student Housing 2017A	2.125 - 5.00	2038	47,170,000
East Campus Parking Deck, 2018A	4.00 – 5.00	2039	13,240,000
West Campus Parking Deck, 2018A	4.00 – 5.00	2039	6,180,000
New Convocation Center, 2018B	3.22 - 5.00	2049	71,515,000
Total revenue bonds			$ 275,585,000

Dormitory and dining hall:			
Series 2010A	3.15 – 4.40	2030	8,470,000
Series 2013B	4.00 – 5.00	2026	8,454,630
Series 2014A	3.00 – 5.00	2034	36,745,000
Series 2015B	5.00	2028	12,727,407
Series 2016A	3.00 – 5.00	2036	47,100,000
Series 2018A	3.00 – 5.00	2038	38,890,000
Series 2019B	5.00	2022	1,670,000
Total general obligation revenue bonds			154,057,037
Total bonds payable			$429,642,037

Long-term debt as of June 30, 2020 matures as follows:

	Principal	Interest
2021	$ 22,777,710	$ 18,043,986
2022	23,436,966	16,926,137
2023	24,269,929	15,773,969
2024	25,442,501	14,579,696
2025	26,585,154	13,395,832
2026-2030	135,329,777	49,024,356
2031-2035	97,710,000	24,552,108
2036-2040	41,665,000	10,378,376
2041-2045	16,385,000	5,518,687
2046-2050	16,040,000	1,484,100
Total	$ 429,642,037	$ 169,677,247

The Foundation's long-term debt consists of the following:

- $1,357,778 outstanding at June 30, 2020, in notes payable at a fixed interest rate of 4.85%, and maturing through fiscal year 2029. The note is secured by a deed of trust on real estate acquired with the proceeds of the note.

- $11,428,794 outstanding at June 30, 2020, in notes payable maturing through fiscal year 2032. The note is secured by a first priority security interest in $3,000,000 of unrestricted cash or marketable securities/mutual funds margined at 70%, a first priority security interest in a specific deposit account maintained by the lender, and a first priority security interest in the assignment of certain agreements specific to the Shenandoah Valley Conference Center project. Principal on the note is paid annually beginning in fiscal year 2020 and is based on a 20-year amortization period. Interest is payable monthly and based on the following rates:

Period	Interest Rate
10/1/2019 – 9/30/2024	4% Fixed
10/1/2024 – 9/30/2029	5 year U.S. Treasury Security rate @ 10/1/24 + 2.75%, but not less than 4%
10/1/2029–12/31/2031	2 year U.S. Treasury Security rate @ 10/1/29 + 2.75%, but not less than 4%

- $7,231,936 outstanding at June 30, 2020 in a note payable established on July 9, 2019 to finance the construction of a new commercial rental and office building. The interest rate is fixed at 4.19% through maturity of the loan in fiscal year 2041. Construction was ongoing at June 30, 2020 and will be fully financed up to the lesser of $8,800,000 or the appraised value of the property securing the loan. The note is secured by a first priority security interest in investment assets held by the lender valued at $1,929,196 at June 30, 2020, and real estate for which loan proceeds will be used.

9. DEBT DEFEASANCE

A. Deferral on Debt Defeasance

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,* as amended by GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, for current refundings and advance refundings resulting in defeasance of debt, the difference between the new and old debt (accounting gain or loss) is deferred and amortized as a component of interest expense. For each of the current or advance refundings noted below, the accounting gain or loss is amortized to interest expense over the life of the new debt. A summary of changes in deferred outflows and deferred inflows as a result of debt refundings for the year ending June 30, 2020 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred Outflows	8,889,377	-	1,086,377	7,803,000
Deferred Inflows	38,130	280	-	38,410

During 2020, the Commonwealth of Virginia, on behalf of the University, issued $2,270,000 of General Obligation Refunding Bonds, Series 2019B, with an interest rate of five percent. The bonds, issued at a premium of $159,676, were used to refund the following:

- $442,057 of outstanding General Obligation Bonds, Series 2001 with an interest rate of four percent. The advance refunding resulted in the recognition of a deferred accounting gain of $802 in fiscal year 2020, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by $19,540 over the next two years and obtained an economic gain (equal to the difference between the present values of the old and new debt service payments) of $19,220, discounted at a rate of one point zero six nine percent.

- $859,486 of outstanding General Obligation Bonds, Series 2002 with an interest rate of four percent. The advance refunding resulted in the recognition of a deferred accounting gain of $44,211 in fiscal year 2020, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by $45,464 over the next three years and obtained an economic gain (equal to the difference between the present values of the old and new debt service payments) of $44,616, discounted at a rate of one point zero six nine percent.

- $1,100,000 of outstanding General Obligation Bonds, Series 2006B with an interest rate of five percent. The advance refunding resulted in the recognition of a deferred accounting gain of $63,354 in fiscal year 2020, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by $77,294 over the next three years and obtained an economic gain (equal to the difference between the present values of the old and new debt service payments) of $75,876, discounted at a rate of one point zero six nine percent.

For financial reporting purposes, the bonds designated above as being refunded are considered to be defeased and have been removed from the non-current liabilities line in the Statement of Net Position. Any related assets in escrow have similarly been excluded.

B. Long-term Debt Defeasance

In prior years, in accordance with GASB Statement No. 7, *Advance Refundings Resulting in the Defeasance of Debt*, the University excluded from its financial statements the assets in escrow and the Section 9(c) or 9(d) bonds payable that were defeased "in-substance." As of June 30, 2020, there were no bonds outstanding considered defeased.

10. SUPPLEMENTAL RETIREMENT PLAN

Effective January 1, 1997, the University established a Supplemental Retirement Plan for tenured faculty members. In fiscal year 2018, the University extended plan eligibility to administrative and professional faculty. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 337 faculty members have elected to enroll in the plan. As of June 30, 2020, 97 participants remain, including 24 new participants who retired under this plan during fiscal year 2020 or who will retire in fiscal year 2021. In order to satisfy IRS requirements, a trust fund has been established as means to make the payments to the plan participants. The University funded $2,871,940 of the plan obligation in 2020. The plan payment schedule is as follows:

Year Ending June 30,		Supplemental Plan Obligations
2021		2,907,134
2022		2,789,152
2023		2,091,904
2024		1,450,971
2025-2026		1,425,968
Total	$	10,665,129

11. RETIREMENT PLANS

A. <u>Virginia Retirement System (Defined Benefit Retirement Plans)</u>

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, unless they are eligible and choose to enroll in the optional retirement program described in section B of Note 11. 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age,

		service credit 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, and they have not taken a refund. *Hybrid Opt-In Election* VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement	**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	**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*

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

		• After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**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	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or	**Service Retirement Multiplier** *Defined Benefit Component:*

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

VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**VaLORS:** Same as Plan 1.	**VaLORS:** Not applicable. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **VaLORS:** 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* **VRS:** Age 60 with at least five years (60 months) of service credit. **VaLORS:** Not applicable. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable.

Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, 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 service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	*Eligibility:* Same as Plan 1	*Eligibility:* Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or	*Exceptions to COLA Effective Dates:* Same as Plan 1	*Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.

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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component:* Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year ended June 30, 2020 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.61% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $15,662,118 and $14,766,205 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions from the University to the VaLORS Retirement Plan were $359,889 and $356,383 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the University reported a liability of $170,805,939 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $3,284,586 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the University's proportion of the VRS State Employee Retirement Plan was 2.70% as compared to 2.61% at June 30, 2018. At June 30, 2019, the University's proportion of the VaLORS Retirement Plan was .47% as compared to .44% at June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of $24,237,945 for the VRS State Employee Retirement Plan and $509,985 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019, 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, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	State employee plan		VaLORs plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 4,270,462	$ -	$ 52,080
Differences between expected and actual experience	3,559,089	4,594,902	33,192	37,872
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,520,529	-	182,399	-
Change in assumptions	13,463,553	-	186,208	4,923
Employer contributions subsequent to the measurement date	15,662,118	-	359,889	-
Total deferred outflows/inflows related to pensions	$ 39,205,289	$ 8,865,364	$ 761,688	$ 94,875

$16,022,007 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. 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 Ending June 30,	State employee plan	VaLORs plan
2021	$ 7,170,412	$ 208,805
2022	2,106,860	93,109
2023	5,061,892	239
2024	338,643	4,771
2025	-	-
Total	$ 14,677,807	$ 306,924

Actuarial Assumptions (State Employee Plan)

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions (VaLORS Plan)

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2019, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Plan	VaLORs Plan
Total Pension Liability	$ 25,409,842	$ 2,190,025
Plan Fiduciary Net Position	19,090,110	1,495,990
Employer' Net Pension Liability (Asset)	$ 6,319,732	$ 694,035
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.13%	68.31%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Stategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategi	6.00%	3.52%	0.21%
PIP - Private Investment Partnershi	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	Expected arithmetic nominal return*		7.63%

** The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11% including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the VRS State Employee Retirement Plan and VaLORS Retirement Plan net pension liabilities using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00 % Decrease (5.75%)	Current Discount Rate (6.75%)	1.00 % Increase (7.75%)
The University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	250,912,473	170,805,939	103,465,301
The University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	4,612,712	3,284,586	2,187,332

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 2019 Annual Comprehensive Financial Report (ACFR). A copy of the 2019 VRS ACFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-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

Included in Accounts Payable and Accrued Expenses at June 30, 2020 are payables of $1,522,048 and $20,744 for the outstanding amount of contributions to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, respectively.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff participate in defined contribution plans as authorized by the Code of Virginia, offered by TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services. These plans are fixed-contribution programs where the retirement benefits received are based upon employer and employee contributions, plus interest and dividends. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4%.

Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5% and an employee required contribution rate of 5%.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately $7,474,234 for the year ended June 30, 2020. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $76,695,296 for fiscal year 2020.

Included in Accounts Payable and Accrued Expenses at June 30, 2020 are payables of $1,119,651 for the outstanding amount of contributions to the Optional Retirement Plans.

C. Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount 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. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was approximately $937,606 for the fiscal year 2020.

12. OTHER POSTEMPLOYMENT BENEFITS

Note: the information presented applies to all programs, unless a specific program is referenced.

Group Life Insurance: Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in benefit Amounts

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

Health Insurance Credit: Plan Description

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

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For State employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. • **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

VRS Disability Insurance: Plan Description

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

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

Eligible Employees

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and

then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.

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

Disability Insurance Program (VSDP) Plan Notes:

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

Cost-of-Living Adjustment (COLA)

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

o 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Line of Duty Act: Plan Description

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

The specific information for the Line of Duty Act Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<table>
<tr><th>LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</td></tr>
<tr><td>Benefit Amounts
The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

<u>Death</u> – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

<u>Health Insurance</u> – The Line of Duty Act program provides health insurance benefits.

Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance

</td></tr>
</table>

benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Virginia DHRM: Pre-Medicare Retiree Healthcare: Plan Description

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare.

Following are eligibility requirements for Virginia Retirement System retirees:

- You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
- You start receiving (do not defer) your retirement benefit immediately upon retirement*, and
- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enroll no later than 31 days from your retirement date.

*For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

Effective January 1, 2017**, following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

**This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 4,800 retirees and 89,000 active employees in the program in fiscal year 2019. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Contributions – VRS:

The contribution requirements for each program are governed by the respective *Code of Virginia* sections, as follows:

- Group Life Insurance Program: §51.1-506 and §51.1-508, as amended
- Health Insurance Credit Program: §51.1-1400(D), as amended
- VRS Disability Insurance Program: §51.1-1140, as amended
- Line of Duty Act Program: §9.1-400.1, as amended

These requirements may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly.

The total rate information for each program was as follows:

	Required Contribution Rate (based on actuarial valuation as of June 30, 2017)	**Allocation**	**Rate Expectation**
Group Life Ins.	1.31% of covered employee compensation	Allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially	The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

		determined rate from an actuarial valuation as of June 30, 2017.	
Health Ins. Credit	1.17% of covered employee compensation for employees in the program.	N/A	The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.
VRS Disability Ins.	0.62% of covered employee compensation	N/A	The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets.
Line of Duty Act	$705.77 per covered full-time-equivalent employee	N/A	This rate represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Contributions to each program by James Madison University for the years ended June 30, 2020 and June 30, 2019 are as follows:

Program:	**June 30, 2020**	**June 30, 2019**
Group Life Ins.	$ 1,059,821	$ 1,001,769
Health Ins. Credit	$ 2,363,094	$ 2,232,104
VRS Disability Ins.	$ 652,987	$ 603,688
Line of Duty Act	$ 37,406	$ 22,585

OPEB Liabilities/Assets, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Each Program

At June 30, 2020, James Madison University reported the following liabilities (assets) for its proportionate share of each program's Net OPEB Liability (Asset) for each of the VRS administered OPEB plans. The Net OPEB Liability (Asset) was measured as of June 30, 2019 and the total OPEB liability (asset) used to calculate the Net OPEB Liability (Asset) was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. At June 30, 2020, James Madison University reported the following liability for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $678.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Program:	Liability (Asset) at June 30, 2020
Group Life Ins.	$ 15,875,121
Health Ins. Credit	$ 25,838,610
VRS Disability Ins.	$ (4,726,638)
Line of Duty Act	$ 603,765
DHRM Pre-Medicare Retirees	$ 24,260,004

The University's proportion of each VRS Net OPEB Liability (Asset) was based on the University's actuarially determined employer contributions (pay-as-you-go, for LODA) to each program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions (pay-as-you-go, for LODA) for all participating employers.

The University's proportion of the DHRM Pre-Medicare Retiree Healthcare OPEB liability was based on it's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers.

At June 30, 2019 and 2018, respectively, James Madison University's proportions were:

Program:	June 30, 2019	June 30, 2018
Group Life Ins.	0.97557%	0.97157%
Health Ins. Credit	2.79920%	2.73750%
VRS Disability Ins.	2.40915%	2.30943%
Line of Duty Act	0.16828%	0.16512%
DHRM Pre-Medicare Retirees	3.57353%	3.46293%

For the year ended June 30, 2020, James Madison University recognized OPEB expenses as shown in the following table. Since there was a change in proportionate share between measurement dates, a portion of each OPEB expense was related to deferred amounts from changes in proportion.

Program:	June 30, 2020
Group Life Ins.	$ 450,506
Health Ins. Credit	$ 2,403,959
VRS Disability Ins.	$ 337,642
Line of Duty Act	$ 51,159
DHRM Pre-Medicare Retirees	$ (2,048,057)
Total OPEB Expense:	$ 1,195,209

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to each OPEB from the following sources:

Group Life Ins.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,055,791	$ 205,916
Net difference between projected and actual earnings on OPEB program investments	$ -	$ 326,087
Change in assumptions	$ 1,002,262	$ 478,704
Changes in proportion	$ 345,432	$ -
Employer contributions subsequent to the measurement date	$ 1,059,821	$ -
Total	$ 3,463,306	$ 1,010,707

Health Ins. Credit

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,084	$ 313,935
Net difference between projected and actual earnings on OPEB program investments	$ -	$ 10,151
Change in assumptions	$ 531,745	$ 176,936
Changes in proportion	$ 736,020	$ -
Employer contributions subsequent to the measurement date	$ 2,363,094	$ -
Total	$ 3,644,943	$ 501,022

VRS Disability Ins.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 605,175	$ 190,267
Net difference between projected and actual earnings on OPEB program investments	$ -	$ 182,530
Change in assumptions	$ 85,786	$ 269,194
Changes in proportion	$ -	$ 275,856
Employer contributions subsequent to the measurement date	$ 652,987	$ -
Total	$ 1,343,948	$ 917,847

Line of Duty Act

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 87,757	$ -
Net difference between projected and actual earnings on OPEB program investments	$ -	$ 1,195
Change in assumptions	$ 28,329	$ 52,340
Changes in proportion	$ 25,027	$ 13,746
Employer contributions subsequent to the measurement date	$ 37,406	$ -
Total	$ 178,519	$ 67,281

DHRM Pre-Medicare Retirees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 12,309,838
Changes in assumptions	$ -	$ 16,807,692
Changes in proportion	$ 2,850,617	$ -
Sub Total	$ 2,850,617	$ 29,117,530
Amounts associated with transactions subsequent to the measurement date	1,032,858	-
Total	$ 3,883,475	$ 29,117,530

Amounts reported as deferred outflows of resources related to each OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the related OPEB Liability (or adjustment to the Net OPEB Asset) in the Fiscal Year ending June 30, 2021. Those amounts are as follows:

Program:	2020 Contrib. Deferred Outflows
Group Life Ins.	$ 1,059,821
Health Ins. Credit	$ 2,363,094
VRS Disability Ins.	$ 652,987
Line of Duty Act	$ 37,406
DHRM Pre-Medicare Retirees	$ 1,032,858
Total:	$ 5,146,166

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to each OPEB will be recognized in the related OPEB expense in future reporting periods as follows:

Year ended June 30	Group Life Ins.	Health Ins. Credit	VRS Disability Ins.	Line of Duty Act	DHRM Pre-Medicare Retirees
FY 2021	$ 139,816	$ 146,204	$ (117,624)	$ 8,996	$ (6,110,377)
FY 2022	139,829	146,186	(117,592)	$ 8,998	(6,110,377)
FY 2023	277,939	161,822	(20,586)	$ 9,183	(6,110,377)
FY 2024	387,795	168,796	(13,311)	$ 9,380	(5,021,202)
FY 2025	353,186	140,240	(8,294)	9,438	(2,415,369)
Thereafter	94,213	17,579	50,521	27,837	(499,212)

Actuarial Assumptions – VRS:

The total OPEB liabilities (assets) were based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation (not applicable to LODA) –	
General state employees	3.50% – 5.35%
Teachers	3.50% – 5.95%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.50%
Locality – General employees	3.50% – 5.35%
Locality – Hazardous Duty employees	3.50% – 4.75%
Medical cost trend rates assumption (LODA only) –	
Under age 65	7.25% – 4.75%

Ages 65 and older	5.50% – 4.75%
Year of ultimate trend rate (LODA only)	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	6.75%* (LODA only: 3.50%**), net of plan investment expenses, including inflation

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.*

*** 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 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.*

Mortality rates – General State Employees (all VRS OPEB programs)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75% *(LODA, N/A)*

Mortality rates – Teachers (GLI only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees (all VRS OPEB programs)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease from 7.00% to 6.75% *(LODA, N/A)*

Mortality rates – VaLORS Employees (all VRS OPEB programs)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease from 7.00% to 6.75% *(LODA, N/A)*

Mortality rates – JRS Employees (GLI, HIC only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers - General Employees (GLI only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease from 7.00% to 6.75%

Mortality rates – Largest and Non-Largest Ten Locality Employers With Public Safety Employees (LODA only)

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Largest 10 employers: Lowered retirement rates at older ages Non-Largest 10 employers: Increased age 50 rates and lowered rates at older ages.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Largest 10 employers: Increased disability rates Non-Largest 10 employers: Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Largest 10 employers: Increased rate from 60% to 70% Non-Largest 10 employers: decreased rate from 60% to 45%

Mortality rates – Non-Largest Ten Locality Employers - General Employees (GLI only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees (GLI only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease from 7.00% to 6.75%

Actuarial Assumptions – DHRM:

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2019. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.00 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2019 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.25 years
Discount Rate	3.51%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 7.00% to 4.50% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2029
Mortality	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year.
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2019.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 35% to 25%
- Retiree Participation - reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of 6/30/2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

Net OPEB Liability (Asset)

The net OPEB liability (NOL) or asset (NOA) represents each program's total OPEB liability (asset) determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement date of June 30, 2019, NOL (NOA) amounts for each program (except DHRM) are as follows (amounts expressed in thousands):

	Group Life Ins.	Health Ins. Credit	VRS Disability Ins.	Line of Duty Act
Total OPEB Liability	$ 3,390,238	$ 1,032,094	$ 292,046	$ 361,626
Plan Fiduciary Net Position	$ 1,762,972	$ 109,023	$ 488,241	$ 2,839
Employer's Net OPEB Liability (Asset)	$ 1,627,266	$ 923,071	$ (196,195)	$ 358,787
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.00%	10.56%	167.18%	0.79%

Each total OPEB liability (asset) is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. Each net OPEB liability (asset) is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information. The DHRM Pre-Medicare Retiree's Program is not included in the analysis above, as it does not accumulate assets in a trust and therefore does not report a fiduciary net position.

Long-Term Expected Rate of Return

All VRS Programs Except LODA:

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategi	6.00%	3.52%	0.21%
PIP - Private Investment Partnershi	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	Expected arithmetic nominal return*		7.63%

** The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Line of Duty Act:

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Discount Rate

All VRS Programs Except LODA:

The discount rate used to measure each OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate (except VSDP, which will be made at the actuarially determined contribution rates adopted by the Board). Through the fiscal year ending June 30, 2019, the rate contributed by the University for each OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, each OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible (and/or current active/inactive) employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine each total OPEB liability.

Line of Duty Act:

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the University's proportionate share of each VRS net OPEB liability (asset) using the discount rate of 6.75% (LODA: 3.50%), and the DHRM total OPEB liability at 3.51%, as well as what the University's proportionate share of each OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%, 2.50%, 2.51%) or one percentage point higher (7.75%, 4.50%, 4.51%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 20,855,514	$ 15,875,121	$ 11,836,160
Employer's proportionate share of the Health Ins. Credit Program Net OPEB Liability	28,637,703	25,838,610	23,433,036
Employer's proportionate share of the VRS Disability Ins. Program Net OPEB Liability (Asset)	(4,291,748)	(4,726,638)	(5,111,952)

	1.00% Decrease (2.50%)	Current Discount Rate (3.50%)	1.00% Increase (4.50%)
Employer's proportionate share of the Line of Duty Act Program Net OPEB Liability	$ 700,410	$ 603,765	$ 527,324

	1.00% Decrease (2.51%)	Current Discount Rate (3.51%)	1.00% Increase (4.51%)
Employer's proportionate share of the Pre-Medicare Retirees Total OPEB Liability	$ 25,949,742	$ 24,260,004	$ 22,675,332

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA and Total DHRM OPEB Liabilities to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the net LODA OPEB liability using health care trend rate of 7.75% decreasing to 4.75%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.75% decreasing to 3.75%)	Health Care Trend Rates (7.75% decreasing to 4.75%)	1.00% Increase (8.75% decreasing to 5.75%)
Covered employer's proportionate share of the LODA Net OPEB Liability	$ 510,477	$ 603,765	$ 721,410

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 7.00% decreasing to 4.50%, as well as what the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.00% decreasing to 3.50%) or one percentage point higher (8.00% decreasing to 5.50%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.50%)	Health Care Trend Rates (7.00% decreasing to 4.50%)	1.00% Increase (8.00% decreasing to 5.50%)
Employer's proportionate share of the total DHRM Total OPEB Liability	$ 21,665,198	$ 24,260,004	$ 27,330,957

OPEB Programs Fiduciary Net Position - VRS

Detailed information about each VRS program's Fiduciary Net Position is available in the separately issued VRS 2019 Annual Comprehensive Financial Report (ACFR). A copy of the 2019 VRS ACFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-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 VRS OPEB Plans

Included in Accounts Payable and Accrued Expenses at June 30, 2020 are payables related to the outstanding amount of contributions to the VRS OPEBs as follows: Group Life Insurance $123,841; Health Insurance Credit $274,745; Sickness and Disability Plan $60,300. The Line of Duty Act does not have a related payable, as it is a one-time annual payment. Additionally, a payable related to the DHRM Pre-Medicare Retirees Plan cannot be reported separately from the remainder of the health insurance payable, as the applicable individual rate for this OPEB is not readily determinable.

13. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following for the year ended June 30, 2020. The University used auxiliary revenues and cash reserves to pay debt service and capitalized improvements of $24,493,035 and $31,790,686. Those amounts are not included in the auxiliary operating expenses below.

Revenues:	
Room contracts, net of scholarship allowances of $2,546,456	$ 25,841,729
Food service contracts, net of scholarship allowances of $3,928,848	34,154,177
Comprehensive fee, net of scholarship allowances of $8,231,333	84,264,236
Food service commissions	13,877,644
Parking fees and fines	4,216,529
Other student fees and sales and services	17,497,911
Total auxiliary enterprises revenues	$ 179,852,226

Expenses:	
Residential facilities	$ 19,164,383
Dining operations	45,118,361
Athletics	34,145,928
Parking services	3,876,417
Health services	5,403,230
Student unions	5,659,191
Student recreation	7,615,165
Other auxiliary activities	2,250,928
Total auxiliary activities expenses	$ 123,233,603

14. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses for the year ended June 30, 2020, both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Compensation and Benefits	Services, Supplies and Utilities	Scholarships and Fellowships	Non-capitalized equipment, property and plant improvements	Depreciation	Total
Instruction	$ 165,637,269	$ 9,623,307	$ -	$ 3,122,167	$ -	$ 178,382,743
Research	1,852,130	940,221	-	54,206	-	2,846,557
Public service	11,909,039	4,471,966	-	179,801	-	16,560,806
Academic support	34,439,178	5,112,950	-	11,168,884	-	50,721,012
Student services	17,989,790	3,629,050	-	384,422	-	22,003,262
Institutional support	36,382,422	12,529,298	-	2,096,644	-	51,008,364
Operation and maintenance-plant	22,289,989	14,542,048	-	10,491,486	-	47,323,523
Depreciation	-	-	-	-	48,904,659	48,904,659
Student aid	-	-	22,637,533	-	-	22,637,533
Auxiliary activities	41,067,583	80,452,305	-	1,713,715	-	123,233,603
Total	$ 331,567,400	$ 131,301,145	$ 22,637,533	$ 29,211,325	$ 48,904,659	$ 563,622,062

15. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations that remain on the last day of the current year, ending June 30, 2020, shall be re-appropriated for expenditure in the first month of the next year, beginning on July 1, 2020, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the re-appropriated balances that relate to unexpended appropriations.

During the year ending June 30, 2020 the following adjustments were made to the University's original appropriations:

Educational and general programs	$	86,756,420
Student financial assistance		11,445,746
In-State undergraduate tuition moderation		6,100,000
Supplemental adjustments:		
Central Fund appropriation transfers:		
Tech talent investment fund		387,126
Compensation increases		3,021,400
Health insurance premium		860,645
Health insurance premium holiday		(1,276,177)
Changes in contribution rates for retirement and benefits		327
Other central fund transfers		(47,123)
Other financial aid transfers		327,043
Other		67,639
Reversion to the General Fund - planned FY2021 carryforward		(1,581,397)
Adjusted appropriation	$	106,061,649

16. CAPITAL APPROPRIATIONS AND CONTRIBUTIONS

Following are the capital appropriations and contributions recognized by the University from the Commonwealth for the year ending June 30, 2020.

Treasury reimbursement programs:		
VCBA 21st Century	$	41,575,567
VCBA Equipment Trust Fund		2,309,646
Total capital appropriations and contributions	$	43,885,213

17. COMMITMENTS

At June 30, 2020, the University was a party to construction and other contracts totaling approximately $314,031,123 of which $278,016,773 has been incurred.

In December 2014, the University entered into a Memorandum of Understanding with the City of Harrisonburg, the Industrial Development Authority of the City of Harrisonburg, dpM Partners, LLC (the developer) and the James Madison University Foundation, to address the development, ownership, financing and operation of a 230-room hotel and conference center. As a part of this agreement, the University is leasing land located between Martin Luther King, Jr. Way and East Grace Street to the developer for an annual nominal rent payment for 50 years. The hotel and conference center opened in May 2018. The developer owns and operates the hotel and conference center. 300 of 1,021 spaces in the nearby Mason Street Parking Deck are available for the hotel.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for two-year term and the space leases are for three- to four-year terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense was approximately $6,830,151 for the year ended June 30, 2020.

The University has, as of June 30, 2020, the following future minimum rental payments due under the above leases:

Year Ending June 30,	Operating Lease Obligation
2021	2,580,329
2022	2,294,973
2023	1,776,699
2024	1,428,539
2025	1,429,369
Total	$ 9,509,909

18. GRANTS AND CONTRACTS CONTINGENCIES

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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2020, the University estimates that no material liabilities will result from such audits or questions.

19. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

20. FEDERAL DIRECT LENDING PROGRAM

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Plus Parent Loan

Programs and disburses these funds to eligible students. The funds can be applied to outstanding student account balances or refunded directly to the student.

These loan programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected on the Statement of Revenues, Expenses and Changes in Net Position. The activity is included in the noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2020, cash provided and used by the program totaled $100,969,984.

21. SUBSEQUENT EVENTS

Due to troubling public health trends and a rapid increase in COVID-19 cases, on September 1, 2020, the University announced a 4-week temporary transition to online learning. In an effort to reduce the number of people on campus, residents were asked to return home by September 7, 2020 unless they sought an exemption to stay. The University remains open during this period. On September 18, 2020, the University announced a return to in-person learning on October 5, 2020. These actions include ongoing financial implications, including:

- Prorated refunds for on-campus students who vacate their residence halls and unused meal plans for the four weeks.
- An extension in the deadline for a full refund upon withdrawing from the University from September 15, 2020 to September 26, 2020.

At this time, the total financial impact to the University cannot be estimated, but it is expected to be significant.

In addition, the University entered into a lease agreement with the JMU Foundation in June 2019 for space in the new “Foundation Hall” building. This building is currently under construction by the Foundation with an estimated completion date of August 2020. In June 2020 the University prepaid the first ten months of rent to the Foundation, totaling $636,678 and covering the months of September 2020 through June 2021. Because building construction was not yet complete as of June 30, 2020, this payment and the related commitment to the lease are reflected as a prepaid asset and as part of the total commitments footnote (#17), respectively. Terms of the lease dictate that ownership of the building is to pass to the University at the end of the 25-year lease term, qualifying it as a capital lease. The capital lease will be recorded in the June 30, 2021 financial statements to coincide with both completion of the building and the fiscal year in which possession of the leased space occurs.

In February 2021, the University entered into several promissory notes with the Virginia College Building Authority (VCBA) to participate in the Educational Facilities Revenue Refunding Bonds, Series 2021 issued by the VCBA under its Pooled Bond Program. The total principal amount of these notes is $58 million. The proceeds of these notes were used to refund $51 million of outstanding notes. Interest payments on the notes will be made semi-annually, with coupons ranging from 0.48 to 3.00 percent. Principal payments are made annually with the final payment due September 1, 2039. The refunding generated $4.3 million in net present value savings.

REQUIRED SUPPLEMENTAL INFORMATION

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER'S SHARE OF THE NET PENSION LIABILITY

VRS STATE EMPOYEE RETIREMENT PLAN

	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	2.70274%	2.60653%	2.55125%	2.48665%	2.38118%	2.23926%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 170,805,939	$ 141,108,000	$ 148,674,000	$ 163,889,000	$ 145,789,000	$ 125,362,000
Employer's Covered Payroll	$ 112,195,218	$ 106,622,132	$ 100,984,332	$ 96,387,707	$ 90,050,760	$ 85,089,890
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	152.24%	132.34%	147.22%	170.03%	161.90%	147.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

VALORS RETIREMENT PLAN

	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.47326%	0.44065%	0.42201%	0.39940%	0.41071%	0.38856%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 3,284,586	$ 2,746,000	$ 2,769,000	$ 3,092,000	$ 2,919,000	$ 2,620,000
Employer's Covered Payroll	$ 1,644,314	$ 1,511,584	$ 1,408,518	$ 1,378,784	$ 1,377,116	$ 1,333,379
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	199.75%	181.66%	196.59%	224.26%	211.96%	196.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only five additional years of data are available. However, additional years will be included as they become available.

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

VRS STATE EMPOYEE RETIREMENT PLAN

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 15,662,118	$ 14,766,205	$ 14,037,842	$ 13,466,814	$ 13,331,290	$ 10,894,300
Contributions in relation to the contractually required contribution	15,662,118	14,766,205	14,037,842	13,466,814	13,331,290	10,894,300
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	115,844,068	112,195,218	106,622,132	100,984,332	96,387,707	90,050,760
Contributions as a percentage of covered payroll	13.52%	13.16%	13.17%	13.34%	13.83%	12.10%

VALORS RETIREMENT PLAN

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 359,889	$ 356,383	$ 319,712	$ 296,567	$ 253,832	$ 243,989
Contributions in relation to the contractually required contribution	359,889	356,383	319,712	296,567	253,832	243,989
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	1,665,382	1,644,314	1,511,584	1,408,518	1,378,784	1,377,116
Contributions as a percentage of covered payroll	21.61%	21.67%	21.15%	21.06%	18.41%	17.72%

Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only five additional years of data are available. However, additional years will be included as they become available.

OTHER POST EMPLOYMENT BENEFITS - VRS GROUP LIFE INSURANCE

	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	0.97557%	0.97157%	0.95484%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	$ 15,875,121	$ 14,755,000	$ 14,370,000
Employer's Covered Payroll	$ 189,732,328	$ 179,323,377	$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.37%	8.23%	8.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.00%	51.22%	48.86%

OTHER POST EMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT PLAN

	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	2.79920%	2.73750%	2.71863%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	25,838,610	24,973,000	$ 24,753,000
Employer's Covered Payroll	$ 189,732,328	$ 179,323,377	$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	13.62%	13.93%	14.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.56%	9.51%	8.03%

OTHER POST EMPLOYMENT BENEFITS - VRS SICKNESS AND DISABILITY PLAN

	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	2.40915%	2.30943%	2.27373%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	(4,726,638)	(5,202,000)	$ (4,668,000)
Employer's Covered Payroll	$ 94,202,520	$ 88,019,605	$ 82,713,915
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.02%	-5.91%	-5.64%

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	167.18%	194.74%	186.63%

OTHER POST EMPLOYMENT BENEFITS - VRS LINE OF DUTY ACT

	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	0.16828%	0.16512%	0.15782%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	603,765	518,000	$ 415,000
Employer's Covered-Employee Payroll	$ 1,681,778	$ 1,538,722	$ 1,600,113
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.90%	33.66%	25.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.79%	0.60%	1.30%

OTHER POST EMPLOYMENT BENEFITS - DHRM PRE-MEDICARE RETIREES PROGRAM

	2020	2019	2018
Employer's Proportion of the Collective Total OPEB Liability (Asset)	3.57353%	3.46293%	3.41632%
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset)	24,260,004	34,824,640	$ 44,374,693
Employer's Covered-Employee Payroll	$ 176,974,664	$ 169,510,476	$ 161,869,196
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	13.71%	20.54%	27.41%

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

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

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEBS

VRS OTHER POST EMPLOYMENT BENEFITS:

GROUP LIFE INSURANCE	2020	2019	2018
Contractually required contribution	$ 1,059,821	$ 1,001,769	$ 963,513
Contributions in relation to the contractually required contribution	1,059,821	1,001,769	963,513
Contribution deficiency (excess)	-	-	-
Employer's covered payroll	202,999,253	189,732,328	179,323,377
Contributions as a percentage of covered payroll	0.52%	0.53%	0.54%

HEALTH INSURANCE CREDIT	2020	2019	2018
Contractually required contribution	$ 2,363,094	$ 2,232,104	$ 2,164,740
Contributions in relation to the contractually required contribution	2,363,094	2,232,104	2,164,740
Contribution deficiency (excess)	-	-	-
Employer's covered payroll	202,758,881	189,732,328	179,323,377
Contributions as a percentage of covered payroll	1.17%	1.18%	1.21%

VRS SICKNESS AND DISABILITY PROGRAM	2020	2019	2018
Contractually required contribution	$ 652,987	$ 603,687	$ 597,171
Contributions in relation to the contractually required contribution	652,987	603,687	597,171
Contribution deficiency (excess)	-	-	-
Employer's covered payroll	105,325,358	94,202,520	88,019,605
Contributions as a percentage of covered payroll	0.62%	0.64%	0.68%

LINE OF DUTY ACT	2020	2019	2018
Contractually required contribution*	$ 37,406	$ 22,585	$ 17,588
Contributions in relation to the contractually required contribution	37,406	22,585	17,588
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	2,009,937	1,681,778	1,538,722
Contributions as a percentage of covered-employee payroll	1.86%	1.34%	1.14%

** The contributions for the Line of Duty Act Program are based on the numbers of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, a covered - employee payroll more relevant measure, which is the total payroll of employees in the OPEB plan.*

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

1. PENSION:

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

VRS Changes

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Changes

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

2. OTHER POST-EMPLOYMENT BENEFITS (OPEBS)

VIRGINIA RETIREMENT SYSTEM

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees (all VRS OPEB programs)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate (LODA N/A)	Decreased from 7.00% to 6.75%

Teachers (GLI only)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

SPORS Employees (all VRS OPEB programs)

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

Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate (LODA N/A)	Decreased from 7.00% to 6.75%

VaLORS Employees (all VRS OPEB programs)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate (LODA N/A)	Decreased from 7.00% to 6.75%

JRS Employees (GLI and HIC only)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

Largest Ten Locality Employers - General Employees (GLI only)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased from 7.00% to 6.75%

Largest and Non-Largest Ten Locality Employers With Public Safety Employees (LODA only)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Largest 10 employers: Lowered retirement rates at older ages Non-Largest 10 employers: Increased age 50 rates and lowered rates at older ages

Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Largest 10 employers: Increased disability rates Non-Largest 10 employers: Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Largest 10 employers: Increased rate from 60% to 70% Non-Largest 10 employers: Decreased rate from 60% to 45%

Non-Largest Ten Locality Employers - General Employees (GLI only)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased from 7.00% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees (GLI only)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI only)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased from 7.00% to 6.75%

VIRGINIA DEPARTMENT OF HUMAN RESOURCE MANAGEMENT (DHRM)

There are no assets accumulated in a trust to pay related benefits.

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

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 35% to 25%
- Retiree Participation - reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of 6/30/2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 1, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
James Madison University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit and remaining fund information of James Madison University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit of the University that were audited by another auditor upon whose report 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 unit and remaining fund information of James Madison University as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, related to accounting for funds held by the University in a fiduciary capacity for the benefit of other organizations or individuals. As a result, the fiscal year 2019 financial statements have been restated to recognize in University net position certain funds that do not meet the criteria to be recognized as custodial funds under the new standard. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University's fiscal year 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated May 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived, except as otherwise noted in the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 11; the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Employer's Share of VRS and DHRM Post-Employment Benefit Plans Other than Pensions, the Schedule of Employer Contributions – OPEBS and the Notes to the Required Supplementary Information for Pensions and Other Post-Employment Benefits on pages 93 through 102. 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 April 1, 2021, on our consideration of James Madison University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

AVC/clj