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Annual Financial Report

For Year Ended June 30, 2023

VSU
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Since 1882

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VIRGINIA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT 2022- 2023

Table of Contents

VSU VIRGINIA STATE

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MANAGEMENT'S RESPONSIBILITY FOR REPORTING AND INTERNAL CONTROLS

The information in this Annual Financial Report, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia State University executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the University. Management believes the information is accurate in all material respects and fairly presents the University's revenues, expenses, and changes in net position, as well as its overall financial position. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 2023.

The administration is responsible for establishing and maintaining the University's system of internal controls. Key elements of the University's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well communicated written policies and procedures; annual self-assessments led by the Controller's Office; and an internal audit function. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the University's system provides reasonable, but not absolute, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Audit and Compliance Committee of the Virginia State University Board of Visitors reviews the University's accounting practices. The Board meets with external independent auditors annually to review the Annual Financial Report and results of audit examinations. The Committee also meets with internal auditors and University financial officers quarterly. These meetings include a review of the scope, quality, and results of the internal audit program.

The Auditor of Public Accounts (APA), the office of the Commonwealth of Virginia's auditors, has audited these annual financial statements and their report appears on pages 114-116. Additionally, the APA has issued a separate report on internal control over financial reporting and on compliance and other matters resulting in the issuance of internal control and compliance findings they consider worthy of management's attention. The University has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

INTRODUCTION

Virginia State University (VSU) is an agency of the Commonwealth of Virginia and is governed by a fifteen member Board of Visitors. The Commonwealth has the authority to exercise oversight over the University. The University has two major divisions, the Academic Colleges and the Cooperative Extension and Agricultural Research Services. The University is a component unit of the Commonwealth and is included in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

University Accomplishments in Fiscal Year 23:

1. **VIRGINIA STATE UNIVERSITY VA – VSU Marching Band Makes History With An Unprecedented Invitation To Perform At The White House** - On February 26, 2023, the Virginia State University Trojan Explosion Marching Band made history when they performed as part of the White House Black History Month Program. The VSU band provided the musical backdrop as guests arrived for the annual event.

2. **VIRGINIA STATE UNIVERSITY VA -VSU Breaks 30-year Record For Enrollment Of New Students - October 18, 2022-** Virginia State University reports the largest year-to-year enrollment increase in a decade. As colleges across the nation continue to experience a decline in undergraduate enrollment, Virginia State University is recording its second straight year of record-high numbers. The fall 2022-23 incoming class is the University's largest incoming class of new students in more than three decades. VSU welcomed more than 1700 new students (first-time freshmen and transfer students). This is an increase of more than 550 new students over this same time last year. The 53% increase in first-time students marks the second consecutive year of record enrollment at VSU.

3. **VIRGINIA STATE UNIVERSITY VA - Virginia State University expanded the University's athletic opportunities -** VSU expanded its athletic opportunities by adding three new sports programs. The Athletics Department added women's soccer, men's lacrosse, and women's lacrosse to their list of sponsored sports. Men's Soccer was also added in Spring 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an overview of the financial position and results of activities of Virginia State University for the fiscal year ended June 30, 2023. Prepared by management, the overview should be read in conjunction with the financial statements and footnotes that follow this section. Comparative information for the fiscal year ended June 30, 2022 has been provided where applicable. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB), which establishes principles and standards for external reporting for colleges and universities.

The University's financial report includes three financial statements and related notes:

1. The Statement of Net Position (SNP)
2. The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)
3. The Statement of Cash Flows (SCF)

These principles require the financial statements be prepared with resources classified for accounting and reporting purposes into the following net position categories: Current Assets, Noncurrent Assets, and Deferred Outflows of Resources; Current Liabilities, Noncurrent Liabilities and Deferred Inflows of Resources.

Please note, the University's foundations identified as discrete component units under GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB 61 *The Financial Reporting Entity: Omnibus*, are reported in the component unit column of the financial statements, and this Management Discussion and Analysis excludes reference to the discrete foundations, except where specifically noted. Alternately, the amounts reported by the foundation identified as blended are included with the amounts reported by the University. GASB 80 *Blending Requirements for Certain Component Units* was used to reevaluate the University's blended foundation. See Note 1.A. for details regarding the University's foundations.

STATEMENT OF NET POSITION

The Statement of Net Position (SNP) presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the University. Net position is the difference between the total assets and deferred outflows of resources less liabilities and deferred inflows of resources. It is one indicator of the current financial condition of the University, while the changes in net position suggest whether the overall financial condition of the University has improved or worsened during the year. Categories of the SNP are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. For fiscal year 2023, the University's total net position increased by $111.9 million or 38.5% over the previous fiscal year.

Total assets and deferred outflows of resources increased by $125.9 million or 26.9% when compared to last year. Currents assets decreased by $18.5 million or 19.3% during fiscal year 2023. Current assets are comprised of cash and cash equivalents, accounts and loans receivable, due from the commonwealth, due from component units, prepaid expenses, other current assets and securities lending. The decrease was mainly due to a decrease of $29.2 million in cash and cash equivalents, primarily driven by funds that had been liquidated in fiscal year 2022 and were reinvested in fiscal year 2023. This decrease was offset by an increase of $5.8 million in funds due from the commonwealth which were primarily related to the replacement of Harris Hall and for equipment purchased through the Equipment Trust Fund. There were also increases in accounts and loans receivable of $1.8 million, prepaid expenses of $2.2 million, and due from affiliates of $2.1 million. Please see the Statement of Net Position section below for additional details. Total deferred outflows of resources decreased by $2.2 million, almost entirely due to a decrease in pension related outflows of $2.1 million.

Noncurrent assets increased by $146.5 million or 40.8% during fiscal year 2023. Noncurrent assets are comprised of restricted cash and cash equivalents, state appropriations available, investments, notes receivable, other postemployment benefits (OPEB), capital assets net of depreciation, and other noncurrent assets. Investments increased by $25.4 million due to market performance and the reinvestment of funds. Restricted cash increased by $22.9 million as the result of proceeds received from the issuance of VCBA pooled bonds for the renovation of the Student Union. State appropriations available increased by $73.0 million, mainly due to additional appropriations for various capital projects, as well as, an increase for the Virginia College Affordability Network (VCAN) scholarship. Capital Assets also increased by $25.4 million as a result of construction in progress for Harris Hall, and an increase for subscription based IT arrangements (SBITA).

During fiscal year 2023, total liabilities and deferred inflows of resources increased by $14 million or 7.9%. Total liabilities are comprised of current and noncurrent liabilities. Current liabilities increased by $7.9 million or 19.3% during fiscal year 2023. Current liabilities include accounts payable and other accrued liabilities, due to component units, unearned revenues, retainage payable, obligations under securities lending, deposits held in custody, the current portion of long-term liabilities, and other current liabilities. The increase in current liabilities was primarily the result of increases in accounts payable and accrued liabilities of $9.3 million and deposits held in custody of $761 thousand, offset by decreases in unearned revenue of $2.5 million. Total deferred inflows of resources decreased by $18.9 million as a result of a decreases in pension related inflows of $16.3 million and OPEB related inflows of $2.3 million.

Noncurrent liabilities increased by $25.1 million or 24.8% during fiscal year 2023. Noncurrent liabilities consist of noncurrent portion of long-term liabilities (bonds, notes payable, pension, SBITAs, OPEB, compensated absences, and federal Perkins loans). The increase in noncurrent liabilities is mainly due to the issuance of VCBA Pooled Bonds for the renovation of the Student Union and an increase in net pension liability, offset by the retirement of long-term debt.

A summary of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and net position at June 30, 2023 and 2022 follows:

Summary of the Statement of Net Position	Year Ended June 30,		Increase/(Decrease)	
	2023	2022 (restated)	Amount	Percent
Assets:				
Current assets	$ 77,378,865	$ 95,833,578	$ (18,454,713)	(19.3)%
Noncurrent assets:				
Restricted cash and cash equivalents	29,146,350	6,211,577	22,934,773	369.2%
State appropriations available	81,991,082	8,977,376	73,013,706	813.3%
Investments	77,623,734	52,243,779	25,379,955	48.6%
Other postemployment benefits (OPEB)	2,407,736	2,831,982	(424,246)	(15.0)%
Capital assets, net	313,330,937	287,887,614	25,443,323	8.8%
Notes Receivable	1,025,624	861,144	164,480	19.1%
Total noncurrent assets	505,525,463	359,013,472	146,511,991	40.8%
Total assets	582,904,328	454,847,050	128,057,278	28.2%
Deferred outflows of resources	11,720,392	13,879,286	(2,158,894)	(15.6)%
Total assets & deferred outflows of resources	594,624,720	468,726,336	125,898,384	26.9%
Liabilities:				
Current liabilities	48,592,163	40,715,157	7,877,006	19.3%
Noncurrent liabilities	126,063,862	101,000,226	25,063,636	24.8%
Total liabilities	174,656,025	141,715,383	32,940,642	23.2%
Deferred inflows of resources	17,745,250	36,642,757	(18,897,507)	(51.6)%
Total liabilities & deferred inflows of resources	192,401,275	178,358,140	14,043,135	7.9%
Net position:				
Net investment in capital assets	247,804,892	225,071,853	22,733,039	10.1%
Restricted:				
Nonexpendable	11,431,583	10,954,415	477,168	4.4%
Expendable	120,646,647	48,535,629	72,111,018	148.6%
Unrestricted	22,340,323	5,806,299	16,534,024	284.8%
Total net position	$ 402,223,445	$ 290,368,196	$ 111,855,249	38.5%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

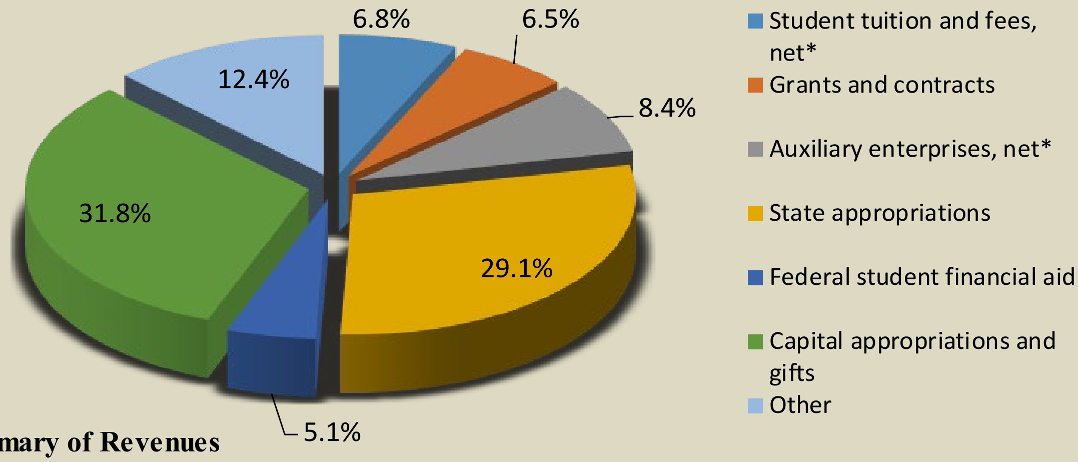
The Statement of Revenues, Expenses, and Changes in Net Position present the University's results of activities for the fiscal year. Presented below is a summarized statement of the University's Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023 and 2022.

Summary of the Statement of Revenues, Expenses and Changes in Net Position	Year Ended June 30, 2023	2022 (restated)	Increase/(Decrease) Amount	Percent
Operating revenues	$ 67,275,195	$ 70,533,456	$ (3,258,261)	(4.6%)
Operating expenses	195,504,780	169,668,876	25,835,904	15.2%
Operating income/(loss)	(128,229,585)	(99,135,420)	(29,094,165)	(29.3%)
Nonoperating revenues/(expenses):				
State appropriations	89,498,451	71,091,901	18,406,550	25.9%
Federal student aid	15,587,233	12,474,018	3,113,215	25.0%
Other nonoperating revenues/(expenses)	36,709,474	13,365,850	23,343,624	174.7%
Net nonoperating revenues/(expenses)	141,795,158	96,931,769	44,863,389	46.3%
Income/(loss) before other revenues	13,565,573	(2,203,651)	15,769,224	715.6%
Other revenues:				
Capital grants and gifts	4,121,678	4,993,412	(871,734)	(17.5%)
State Appropriations revenue - capital projects	75,598,731	4,311,227	71,287,504	1,653.5%
Additions/(reductions) to permanent endowments	551,297	1,342,168	(790,871)	(58.9%)
VCBA 21st Century bond reimbursement program	18,017,970	7,495,804	10,522,166	140.4%
Total other revenues	98,289,676	18,142,611	80,147,065	441.8%
Total increase/(decrease) in net position	111,855,249	15,938,960	95,916,289	601.8%
Net position, beginning of year as restated (Note 1B)	290,368,196	274,429,236	15,938,960	5.8%
Net position, end of year	$ 402,223,445	$ 290,368,196	$ 111,855,249	38.5%

As shown in the table above, there was an increase in net position of $111.9 million in fiscal year 2023 as opposed to an increase of $15.9 million in the previous year's statement. The net operating loss increased by $29.1 million or 29.3% over fiscal year 2022. Net non-operating revenues and expenses increased by $44.9 million or 46.3% and total other revenues increased by $80.1 million or 441.8%, in fiscal year 2023. Revenues and expenses will be discussed in further detail in the following sections.

A summary of the University's revenues for the years ended June 30, 2023 and 2022 appears below:

For the year ended June 30, 2023



Summary of Revenues
For the years ended June 30, 2023 and 2022

	2023	2022 (restated)	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating revenues:				
Student tuition and fees, net*	$ 20,838,317	$ 23,252,206	$ (2,413,889)	(10.4%)
Grants and contracts	19,865,905	20,430,587	(564,682)	(2.8%)
Auxiliary enterprises, net*	25,683,663	25,319,334	364,329	1.4%
Other operating revenue**	887,310	1,531,329	(644,019)	(42.1%)
Total operating revenues	67,275,195	70,533,456	(3,258,261)	(4.6%)
Nonoperating revenues/(expenses):				
State appropriations	89,498,451	71,091,901	18,406,550	25.9%
Federal student financial aid	15,587,233	12,474,018	3,113,215	25.0%
Other revenues/(expenses) net**	36,709,474	13,365,850	23,343,624	174.7%
Total nonoperating revenues	141,795,158	96,931,769	44,863,389	46.3%
Other revenues/(expenses):				
Capital grants and gifts**	4,121,678	4,993,412	(871,734)	(17.5%)
Additions to permanent endowment**	551,297	1,342,168	(790,871)	(58.9%)
Other capital revenues**	93,616,701	11,807,031	81,809,670	692.9%
Total other revenues/(expenses)	98,289,676	18,142,611	80,147,065	441.8%
Total revenues	$ 307,360,029	$ 185,607,836	$ 121,752,193	65.6%

* Net of scholarship allowance
** Other includes: other operating revenues; other non-operating revenues, net of non-operating expenses; capital grants and gifts; additions to permanent endowment; other capital revenues.

Total operating revenues decreased by $3.3 million or 4.6% as compared to the prior year. As shown in the chart above, there were decreases in student tuition and fees of $2.4 million, grants and contracts of $565 thousand, and other operating revenues of $644 thousand. These were offset by an increase in auxiliary enterprises of $364 thousand.

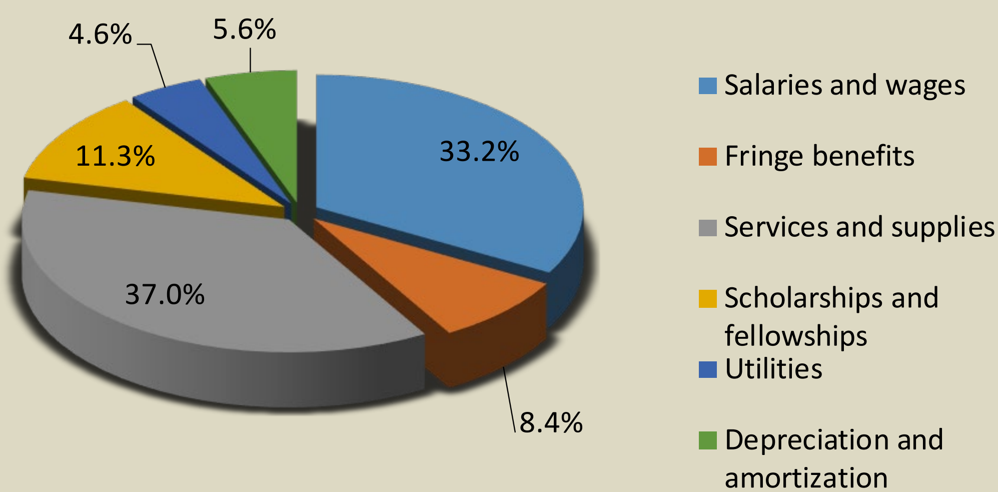
For the fiscal year, total non-operating revenues increased by $44.9 million or 46.3%. The primary cause for the increase in non-operating revenues was an increase of $18.4 million in state appropriations, primarily associated with operating appropriations. Federal student financial aid increased by $3.1 million. There was also an increase of $23.3 million in other nonoperating revenues, due to increases in investment income of $11.3 million, gifts of $1.6 million, and Covid-19 related funding of $8.2 million.

Other revenues increased by $80.1 million. This was mainly due to an increase in appropriations of $71 million for ongoing capital projects, as well as an increase in reimbursements for the 21st Century Bond program of $10.5 million.

SUMMARY OF EXPENSES

Total operating expenses increased by $25.8 million in fiscal year 2023 compared to the previous fiscal year. This represents a 15.2% increase. Comparative summaries of the University's operating expenses by both natural classification and function for the years ended June 30, 2023 and 2022 appear below.

For the year ended June 30, 2023



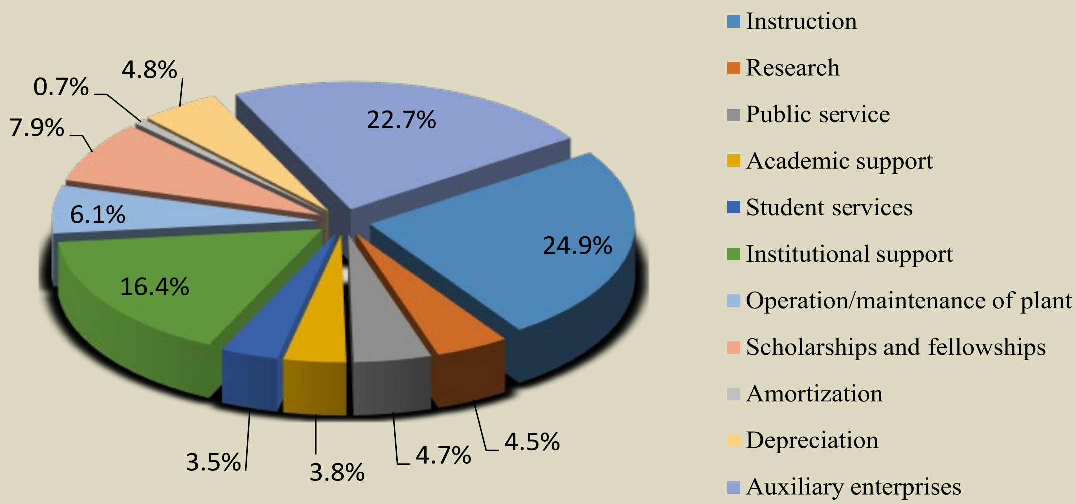
Summary of Operating Expenses by Natural Classification

For the years ended June 30, 2023 and 2022

	2023	2022 (restated)	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Salaries and wages	$ 64,866,013	$ 59,790,569	$ 5,075,444	8.5%
Fringe benefits	16,328,935	14,042,298	2,286,637	16.3%
Services and supplies	72,371,054	58,537,538	13,833,516	23.6%
Scholarships and fellowships	22,155,728	19,782,440	2,373,288	12.0%
Utilities	8,918,989	7,487,242	1,431,747	19.1%
Depreciation and amortization	10,864,061	10,028,789	835,272	8.3%
Total operating expenses	$ 195,504,780	$ 169,668,876	25,835,904	15.2%

The total increase in operating expenses was primarily attributable to increases in salaries and wages of $5.1 million, fringe benefits of $2.3 million, supplies and services of $13.8 million, scholarships and fellowships of $2.4 million, and utilities of $1.4 million.

For the year ended June 30, 2023



Summary of Operating Expenses by Function
For the years ended June 30, 2023 and 2022

	2023	2022 (restated)	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating expenses:				
Instruction	$ 48,744,766	$ 38,249,074	$ 10,495,692	27.4%
Research	8,718,316	9,743,588	(1,025,272)	(10.5%)
Public service	9,254,852	9,387,551	(132,699)	(1.4%)
Academic support	7,471,930	6,151,302	1,320,628	21.5%
Student services	6,838,758	4,874,335	1,964,423	40.3%
Institutional support	32,017,300	28,665,618	3,351,682	11.7%
Operation/maintenance of plant	11,863,895	11,851,096	12,799	0.1%
Scholarships and fellowships	15,363,416	14,655,707	707,709	4.8%
Amortization	1,393,645	635,881	757,764	119.2%
Depreciation	9,470,416	9,392,908	77,508	0.8%
Auxiliary enterprises	44,367,486	36,061,816	8,305,670	23.0%
Total operating expenses	$ 195,504,780	$ 169,668,876	$ 25,835,904	15.2%

By function, instruction increased by $10.5 million as a result of increases in salaries and wages of $5.6 million, services and supplies of $3.4 million and fringe benefits $954 thousand. Student services increased by $1.9 million primarily due to increases of $882 thousand in salaries and wages, and $882 thousand in services and supplies. Institutional support increased by $3.4 million due to an increase in services and supplies of $3.3 million. Auxiliary enterprises expenses increased by $8.3 million, primarily as a result of increases in services and supplies of $6.6 million and scholarships and fellowships of $2.3 million. There was also a decrease in fringe benefits of $629 thousand.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows (SCF) is concerned with the flow of cash in and out of the University. The SCF shows changes in the Statement of Net Position (SNP) accounts and the income affect for cash and cash equivalents. GASB principles define four major categories of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. In addition, it captures both the current operating results and the accompanying changes in the SNP. These cash flows are crucial to funding the operation of the University.

Statement of Cash Flows	Year Ended June 30,		Increase/(Decrease)	
	2023	2022 (restated)	Amount	Percent
Cash flows from:				
Operating activities	$ (126,341,434)	$ (104,065,045)	$ (22,276,389)	(21.4%)
Noncapital financing activities	136,505,547	105,461,816	31,043,731	29.4%
Capital and related financing activities	5,373,378	(684,201)	6,057,579	(885.4%)
Investing activities	(21,775,938)	16,783,479	(38,559,417)	(229.7%)
Net increase/(decrease) in cash and cash equivalents	(6,238,447)	17,496,049	(23,734,496)	(135.7%)
Cash and cash equivalents, beginning of year	85,260,939	67,764,890	17,496,049	25.8%
Cash and cash equivalents, end of year	$ 79,022,492	$ 85,260,939	$ (6,238,447)	(7.3%)

From fiscal year 2022 to fiscal year 2023 the University's SCF shows a $6.2 million decrease in cash and cash equivalents. There was a $22.2 million increase in net cash used by operating activities in fiscal year 2023. This mainly resulted from increases in cash used for payments to employees of $3.8 million, payments for fringe benefits of $1.8 million, payments to suppliers of $13.7 million, a reduction in cash generated from tuition and fees of $6.5 million, and an increase in cash used for scholarships of $2.4 million. These were offset by an increase of cash provided from grant and contracts of $6.9 million.

Cash provided by noncapital financing activities increased by $31.0 million. This was primarily a result of increases in state appropriations of $19.6 million, Federal student financial aid of $3.1 million, and other nonoperating revenues of $8.5 million.

There was an increase of $6.1 million increase in cash provided by capital and related financing activities in fiscal year 2023. This was mainly from a net increase in capital appropriations of $2.6 million and an increase in proceeds from debt issuance of $24.5 million dollars, offset by a $18.1 million increase in cash used for the purchase of capital assets.

The last major category on the statement of cash flow is investing activities. In total, net cash used by investing activities increased by $38.6 million. There was a $23.5 million decrease in proceeds from the sale of investments in fiscal year 2023 versus fiscal year 2022, as well as an increase of $15.0 million in cash used for the purchase of investments.

CAPITAL AND DEBT ACTIVITIES

The University continues to invest in capital assets in accordance with its master plan, modernizing its current and older facilities, purchasing new equipment and building new facilities.

Capital assets, net of depreciation and amortization, increased by $25.4 million in fiscal year 2023. Capital purchases were $36.3 million. Depreciation and amortization expenses for the year totaled $10.9 million.

Proper management of University resources and the replacement and renewal of capital assets requires the prudent use of debt to finance projects. University bonds are issued pursuant to Section 9(c) and Section 9(d) of Article X of the Constitution of Virginia. These bonds are backed by the full faith, credit and taxing power of the Commonwealth. The use of debt to finance capital projects is managed in accordance with the University's debt policy.

As of June 30, 2023, the University had $76.3 million in outstanding long-term debt. This debt consists of $51.0 million of general obligation bonds and $25.3 million of notes payable. Long-term debt overall increased by $15.7 million. This is a result of issuing VCBA Pooled Bonds for the renovation of the Student Union, offset by making debt payments throughout the year.

FUTURE ECONOMIC OUTLOOK:

The long-term outlook for Virginia State University (VSU) remains positive. VSU continues to make the necessary changes to ensure the long-term viability of the University. The University's efficiency measures and strategic goals and objectives outline realistic targets for long term growth and stability to ensure that VSU will continue on its pathway to prominence.

The University takes a conservative approach towards budgeting enrollment. As such, actual enrollment continues to exceed budgeted enrollment. The University has recently reported its second straight year of a record number of first-time students. Retention and graduation rates continue to be strong as well as compared to similar institutions. The University continues to implement strategies to further increase retention and graduation rates.

The University recently received an increase in state appropriations to help it realize its mission. The University reported increased State support primarily for the newly created Virginia College Affordability Network (VCAN) Scholarship. The VCAN Scholarship is funded by the State and provides free tuition funding to Pell-eligible first-year students who live within 40 miles radius of the University.

Maintaining low tuition and fee rates continue to be a major priority for the University as reflected in its most recent Strategic Plan, *Preeminence with a Purpose*. The University seeks to maintain low tuition rates since the majority of its students rely on some form of financial aid such as scholarships, grants or student loans. The University continues to maintain one of the lowest tuition and fee rates in the Commonwealth of Virginia.

Prudent financial practices also play a key role in the continued success and viability of the University. The University has established appropriate reserve targets to cover future debt service needs and to protect the University against unexpected expenditures and losses. Reserve targets are fully funded for the year ending June 30, 2023. The University utilizes the Composite Financial Index (CFI) to access its financial viability each year. The CFI serves as an additional means of confirmation that the amount of resources that the University directs towards its mission are well within sustainable levels. Lastly, the University carries a level of debt that is consistent with its policies and mission. The majority of such debt is backed by revenue-producing capital projects (i.e. Residence Hall fees paid by students).

Virginia State University
FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION

As of June 30, 2023 (with comparative financial information as of June 30, 2022)

	2023		2022 (restated)	
ASSETS & DEFERRED OUTFLOWS OF RESOURCES	Virginia State University	Component Units	Virginia State University	Component Units
Current assets:				
Cash and cash equivalents (Note 2)	$ 49,876,142	$ 9,270,130	$ 79,049,362	$ 5,361,742
Cash and cash equivalents - Securities Lending (Note 2)	3,653,281		4,623,687	-
Accounts and loans receivable, net of allowance (Note 3)	11,307,580	542,535	9,585,559	408,252
Due from the Commonwealth (Note 3)	7,176,828		1,393,443	-
Due from Component Units/University	2,251,429	102,172	133,848	305,532
Prepaid expenses	3,113,605	11,106	883,199	10,068
Notes receivable, net of allowance (Note 3)	-	-	164,480	-
Total current assets	77,378,865	9,925,943	95,833,578	6,085,594
Noncurrent assets:				
Restricted cash and cash equivalents (Note 2)	29,146,350	2,236,349	6,211,577	2,530,285
Restricted investments (Note 2)	6,978,334	27,000	7,370,417	27,000
Endowment investments (Note 2)	41,173,726	28,868,647	38,023,193	24,999,055
State appropriation available	81,991,082		8,977,376	-
Notes receivable, net of allowance (Note 3)	1,025,624		861,144	-
Other postemployment benefits (OPEB)	2,407,736		2,831,982	-
Other long-term investments (Note 2)	29,471,674		6,850,169	-
Other noncurrent	-	93,067	-	9,453
Non depreciable capital assets (Note 4)	59,411,577	542,828	34,898,516	542,828
Depreciable capital assets, net (Note 4)	253,919,360	4,285,936	252,989,098	4,631,579
Total noncurrent assets	505,525,463	36,053,827	359,013,472	32,740,200
Total assets	582,904,328	45,979,770	454,847,050	38,825,794
Deferred outflows of resources: (Note 1.O)				
Pension related	8,320,660	-	10,418,109	-
Other postemployment benefits (OPEB) related	2,737,032	-	2,544,020	-
Loss on refunding of debt	662,700	-	917,157	-
Total deferred outflows of resources	11,720,392	-	13,879,286	-
Total assets and deferred outflows of resources	594,624,720	45,979,770	468,726,336	38,825,794
LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Accounts payable and accrued liabilities (Note 5)	23,778,903	380,209	14,526,480	284,596
Due to Component Units/University	102,057	1,251,544	305,532	133,848
Unearned revenue	4,860,845	211,384	7,311,885	127,193
Retainage payable	690,112	-	280,263	-
Obligations under securities lending	3,653,281	-	4,623,687	-
Deposits held in custody of others	2,860,091	5,673,830	2,099,549	4,212,767
Long-term liabilities-current portion (Notes 6 and 7)	12,615,541	1,160,000	11,526,968	1,105,000
Other current liabilities	31,333	38,567	40,793	38,567
Total current liabilities	48,592,163	8,715,534	40,715,157	5,901,971
Long-term liabilities - noncurrent (Notes 6 and 7)	126,063,862	9,313,157	101,000,226	11,547,272
Total liabilities	174,656,025	18,028,691	141,715,383	17,449,243

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION

As of June 30, 2023 (with comparative financial information as of June 30, 2022) (continued)

	2023		2022 (restated)	
	Virginia State University	Component Units	Virginia State University	Component Units
Deferred inflows of resources: (Note 1.O)				
Pension related	9,903,907	-	26,260,979	-
Other postemployment benefits related	6,196,828	-	8,502,332	-
Gain on refunding of debt	1,644,515	-	1,879,446	-
Total deferred inflows of resources	17,745,250	-	36,642,757	-
Total liabilities and deferred inflows of resources	$ 192,401,275	$ 18,028,691	$ 178,358,140	$ 17,449,243
NET POSITION				
Net investment in capital assets	$ 247,804,892	$ (5,084,483)	$ 225,071,853	$ (5,843,608)
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	7,598,372	19,560,959	7,051,648	16,580,685
Instruction	3,311,105	-	3,330,512	-
Other	522,106	-	572,255	-
Expendable:				
Scholarships and fellowships	34,983,568	9,515,976	38,674,760	7,880,221
Instruction	3,770,747	-	3,479,261	-
Capital projects	77,080,323		-	-
Other	4,812,009		6,381,608	-
Unrestricted	22,340,323	3,958,627	5,806,299	2,759,253
Total net position	**$ 402,223,445**	**$ 27,951,079**	**$ 290,368,196**	**$ 21,376,551**

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2023 (with comparative financial information for the year ended June 30, 2022)

	2023		2022 (restated)	
	Virginia State University	Component Units	Virginia State University	Component Units
Operating revenues:				
Student tuition and fees (net of scholarship allowance of $21,610,578 and $14,295,343 for 2023 and 2022, respectively)	$ 20,838,317	$ -	$ 23,252,206	$ -
Federal grants and contracts	18,669,208	-	18,944,049	-
State and local grants and contracts	1,196,697	-	1,486,538	-
Auxiliary enterprises (net of scholarship allowance of $26,635,490 and $16,587,180 for 2023 and 2022, respectively)	25,683,663	-	25,319,334	-
Other operating revenues	887,310	4,262,655	1,531,329	3,715,861
Total operating revenues	67,275,195	4,262,655	70,533,456	3,715,861
Operating expenses: (Note 9)				
Instruction	48,744,766	-	38,249,074	-
Research	8,718,316	-	9,743,588	-
Public service	9,254,852	-	9,387,551	-
Academic support	7,471,930	-	6,151,302	-
Student services	6,838,758	-	4,874,335	-
Institutional support	32,017,300	4,188,921	28,665,618	3,261,787
Operation and maintenance of plant	11,863,895	-	11,851,096	-
Scholarships and fellowships	15,363,416	969,407	14,655,707	696,920
Amortization	1,393,645	-	635,881	-
Depreciation	9,470,416	476,646	9,392,908	471,526
Auxiliary enterprises	44,367,486	-	36,061,816	-
Total operating expenses	195,504,780	5,634,974	169,668,876	4,430,233
Operating income/(loss)	(128,229,585)	(1,372,319)	(99,135,420)	(714,372)
Nonoperating revenues/(expenses):				
State appropriations (Note 8)	89,498,451		71,091,901	-
Gifts	3,540,667	5,224,088	1,936,805	4,058,177
Investment income/(expense)	3,604,014	3,733,238	(8,156,922)	(3,154,033)
Interest on indebtedness	(1,208,507)	(535,227)	(707,105)	(591,765)
Loss on disposal of assets	-	-	(28,672)	-
Federal student financial aid	15,587,233	-	12,474,018	-
Other nonoperating revenues	35,549,484	9,667	22,427,604	25,983
Other nonoperating expenses	(4,776,184)	(484,919)	(2,105,860)	(387,459)
Net nonoperating revenues/(expenses)	141,795,158	7,946,847	96,931,769	(49,097)
Income/(loss) before other revenues	13,565,573	6,574,528	(2,203,651)	(763,469)
Other revenues/(expenses):				
Capital grants and gifts	4,121,678	-	4,993,412	-
State appropriations revenue - capital projects	75,598,731	-	4,311,227	-
Additions to permanent endowments	551,297	-	1,342,168	-
VCBA 21st Century bond reimbursement program	18,017,970	-	7,495,804	-
Total other revenues/(expenses)	98,289,676	-	18,142,611	-
Increase/(decrease) in net position	111,855,249	6,574,528	15,938,960	(763,469)
Net position, beginning of year as restated (Note 1B)	290,368,196	21,376,551	274,429,236	22,140,020
Net position, end of year	**$ 402,223,445**	**$ 27,951,079**	**$ 290,368,196**	**$ 21,376,551**

The accompanying notes to the financial statements are an integral part of this statement

STATEMENT OF CASH FLOW

For the year ended June 30, 2023 (with comparative financial information for the year ended June 30, 2022)

	2023	2022 (restated)
Cash flows from operating activities:		
Tuition and fees	$ 19,730,168	$ 26,247,251
Grants and contracts	16,714,268	9,849,903
Auxiliary enterprises	25,571,799	24,708,438
Departmental sales and services, and other revenues	887,310	1,166,300
Payments to employees	(63,304,850)	(59,468,858)
Payments for employee fringes and pension benefits	(23,372,020)	(21,540,512)
Payments to suppliers	(71,232,803)	(57,531,831)
Payments for utilities	(8,918,989)	(7,487,242)
Payments for scholarships and fellowships	(22,155,728)	(19,782,440)
Other payments	(1,021,130)	(25,861)
Direct lending receipts	45,126,975	40,982,649
Direct lending disbursements	(45,126,975)	(40,982,649)
Funds held in custody of others - receipts	3,681,851	779,855
Funds held in custody of others - disbursements	(2,921,310)	(980,048)
Net cash provided/(used) by operating activities	(126,341,434)	(104,065,045)
Cash flows from noncapital financing activities:		
State appropriations	89,033,587	69,387,081
Gifts	3,018,107	3,278,973
Federal student financial aid	15,587,233	12,474,018
Other nonoperating revenue	28,866,620	20,321,744
Net cash provided/(used) by noncapital financing activities	136,505,547	105,461,816
Cash flows from capital financing activities:		
Capital appropriations	3,049,889	491,908
Capital gifts and grants	4,136,245	4,993,412
VCBA 21st Century bond reimbursement program	12,234,585	9,844,670
Interest paid on capital debt, leases, and installments	(858,159)	(732,795)
Principal paid on capital debt, leases, and installments	(11,044,323)	(6,755,399)
Proceeds from Bond Issuance	24,870,320	349,884
Purchase of capital assets	(27,015,179)	(8,875,881)
Net cash provided/(used) by capital financing activities	5,373,378	(684,201)
Cash flows from investing activities:		
Investment Income	2,466,697	1,069,929
Proceeds from sales and maturities of investments	1,882,992	25,393,275
Purchase of investments	(26,125,627)	(9,679,725)
Net cash provided/(used) by investing activities	(21,775,938)	16,783,479
Net increase/(decrease) in cash	(6,238,447)	17,496,049
Cash and cash equivalents - beginning of the year	85,260,939	67,764,890
Cash and cash equivalents - end of year	**$ 79,022,492**	**$ 85,260,939**

STATEMENT OF CASH FLOWS

As of June 30, 2023 (with comparative financial information as of June 30, 2022) (continued)

		2023		2022 (restated)
Reconciliation of Net Operating Loss to Net cash used by Operating Activities:				
Operating income/(loss)	$	(128,229,585)	$	(99,135,420)
Adjustments to reconcile net cash used by operating activities:				
Depreciation and amortization expense		10,864,061		10,028,789
Changes in assets & deferred outflows and liabilities & deferred inflows:				
Receivables		(2,780,312)		(6,108,817)
Prepaid items		(2,230,406)		1,505,752
Other post employment benefits asset (OPEB)		424,246		(967,165)
Accounts payable		4,063,270		237
Unearned revenue		(2,603,008)		(751,606)
Other liabilities		(9,460)		(25,861)
Long term liabilities		866,551		(1,879,712)
Pension liability		9,924,669		(33,670,535)
Other post employment benefits liability (OPEB)		(633,861)		(3,066,336)
Deferred outflows of resources from pension and other postemployment benefits		1,904,437		4,606,967
Deferred inflows of resources from pension and other postemployment benefits		(18,662,576)		25,598,855
Funds held in custody for others - net		760,540		(200,193)
Net cash provided/(used) by operating activities	**$**	**(126,341,434)**	**$**	**(104,065,045)**
Noncash investing, capital and financing activities:				
Change in fair value of investments		1,137,317		(8,417,048)
Change in accounts receivable related to non-operating income		(78,782,524)		(3,175,273)
Change in accounts payable related to non-operating expense		(4,985,679)		25,691
Amortization of bond premium/discount and gain/loss on debt refunding		959,916		558,556
Gain/(loss) on disposal of capital assets		-		(28,672)
Refunding of debt		-		44,475,505
Right-to-use assets acquired through the assumption of a liability		4,247,026		2,073,210
VRS and VaLORS Special Revenue Allocation		2,058,648		-

The accompanying notes to the financial statements are an integral part of this statement.

VSU VIRGINIA STATE Since 1882

Greater Happens Here

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The University is a component unit of the Commonwealth of Virginia and is included in the Annual Comprehensive Financial Report (ACFR) of the Commonwealth. These basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) applicable to colleges and universities. They are prepared for and at the direction of the Commonwealth of Virginia for inclusion in the Commonwealth's ACFR, which includes all agencies, boards, commissions, and authorities associated with the Commonwealth and over which the Commonwealth exercises or has the ability to exercise oversight authority. In addition, the University has two discrete components units and a blended component unit included in the basic financial statements.

The Virginia State University Foundation (VSUF) is a legally separate discrete component unit of the University and was organized as a tax-exempt charitable and educational organization in 1968. The purpose of this foundation is to accept contributions from individual donors and to safeguard, invest, and distribute the funds as designated by the donors or the Foundation's Board of Trustees for the benefit of the University, its students, alumni, and educational community in support of the University's mission. For the year ended June 30, 2023, the VSUF distributed $1,381,318 to the University for both restricted and unrestricted purposes. In addition, during fiscal year 2023, the VSUF was provided $1,000,000 by the University to purchase properties identified by the University as part of their expansion efforts. Once the VSUF purchases the identified property, it would then be transferred to the University from the VSUF. There were three properties identified. However, there was no activity related to these properties during 2023. Separate financial statements for the VSUF can be obtained by writing Virginia State University Foundation c/o Vice President of External Relations, Storum Hall, Post Office Box 9071 Petersburg, VA 23806.

Additionally, the Virginia State University Real Estate Foundation (VSUREF) is a legally separate, discrete component unit of the University and was organized as a tax-exempt charitable and educational organization in 2002. Operations began in August 2003. The VSUREF operates on a December 31st year end, and is incorporated into the University's June 30th year end financial statements. The purpose of the Real Estate Foundation is to construct and manage the University Apartments at Ettrick (UAE), a 504-bedroom dormitory facility for the University, in support of the University's mission. During fiscal year 2023, the University provided $1,000,000 to the VSUREF as a prepayment for management services to be received during fiscal year 2024. Financial statements for the VSUREF can be acquired by writing the VSU Vice President of Finance, Post Office Box 9213, Petersburg, VA. 23806.

Although the University does not control the timing or amount of receipts from either the VSUF or the VSUREF, the majority of the resources or income thereof that both foundations hold and invest is restricted to the activities of the University by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of the University, the VSUF and the VSUREF are considered component units of the University and are discretely presented in the University's financial statements.

Because these discretely presented component units are consolidated in the financial statements, a financial summary for each entity is presented below.

Condensed Statement of Net Position

As of June 30, 2023

	VSU Foundation	VSU Real Estate Foundation	Total
Assets:			
Current assets:	$ 7,684,260	$ 2,241,683	$ 9,925,943
Noncurrent assets:			
Restricted cash and cash equivalents	-	2,236,349	2,236,349
Investments	28,895,647	-	28,895,647
Capital assets, net	-	4,828,764	4,828,764
Other	93,067	-	93,067
Total noncurrent assets	28,988,714	7,065,113	36,053,827
Total assets & deferred outflows of resources	36,672,974	9,306,796	45,979,770
Liabilities:			
Current liabilities	6,853,352	1,862,182	8,715,534
Noncurrent liabilities	-	9,313,157	9,313,157
Total liabilities & deferred inflows of resources	6,853,352	11,175,339	18,028,691
Net position:			
Net investment in capital assets	-	(5,084,483)	(5,084,483)
Restricted:			
Nonexpendable	19,560,959	-	19,560,959
Expendable	9,515,976	-	9,515,976
Unrestricted	742,687	3,215,940	3,958,627
Total net position	$ 29,819,622	$ (1,868,543)	$ 27,951,079

Condensed Statement of Revenues, Expenses and Changes in Net Position For the year ended June 30, 2023	VSU Foundation	VSU Real Estate Foundation	Total
Operating revenues	$ -	$ 4,262,655	$ 4,262,655
Operating expenses	2,255,334	3,379,640	5,634,974
Operating income/(loss)	$ (2,255,334)	$ 883,015	$ (1,372,319)
Nonoperating revenues/(expenses):			
Other nonoperating revenues/(expenses)	7,391,612	555,235	7,946,847
Net nonoperating revenues/(expenses)	7,391,612	555,235	7,946,847
Income/(loss) before other revenues	5,136,278	1,438,250	6,574,528
Total increase/(decrease) in net position	5,136,278	1,438,250	6,574,528
Net position, beginning of year	24,683,344	(3,306,793)	21,376,551
Net position, end of year	$ 29,819,622	$ (1,868,543)	$ 27,951,079

In 2015, the Virginia State University Research Foundation (VSURF) commenced operations, and is included as a blended component unit in the University's financial statements. The purpose of the VSURF is to support the University's objectives for research, public service, economic and technological development. As a representative of the University, VSURF exemplifies the same spirit of entrepreneurship and focuses on the applications of engineering, science and technology to develop new ideas, methods and opportunities. In its capacity, the Foundation will provide several services related to Intellectual Property Management, Technology Transfer and Commercialization, and the Office of Sponsored Research & Programs.

The VSURF, like the University, operates on a June 30th year end, and as a blended component unit, their financial information is combined with the University's and reported in the financial statements in one column. For a copy of the VSURF financial statements, send a written request to Virginia State University Research Foundation, Post Office Box 9005, Petersburg, Va. 23806.

The condensed component unit financial summary presented below, and subsequent notes, comply with the Governmental Accounting Standards Board (GASB) presentation format. Both VSU Foundation and VSU Real Estate Foundation follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format.

Because the reporting entities' financial information is combined in the financial statements, a financial summary for each entity, and in total, is shown below.

Condensed Statement of Net Position
As of June 30, 2023

	Virginia State University	VSU Research Foundation	Total
Assets:			
Current assets	$ 76,411,394	$ 967,471	$ 77,378,865
Noncurrent assets:			
Restricted cash and cash equivalents	29,146,350	-	29,146,350
State appropriations available	81,991,082	-	81,991,082
Investments	77,623,734	-	77,623,734
Capital assets, net	313,330,937	-	313,330,937
Other	3,433,360	-	3,433,360
Total noncurrent assets	505,525,463	-	505,525,463
Deferred outflow of resources	11,720,392	-	11,720,392
Total assets & deferred outflows of resources	593,657,249	967,471	594,624,720
Liabilities:			
Current liabilities	48,590,496	1,667	48,592,163
Noncurrent liabilities	126,063,862	-	126,063,862
Deferred inflow of resources	17,745,250	-	17,745,250
Total liabilities & deferred inflows of resources	192,399,608	1,667	192,401,275
Net position:			
Net investment in capital assets	247,804,892	-	247,804,892
Restricted:			
Nonexpendable	11,431,583	-	11,431,583
Expendable	120,033,100	613,547	120,646,647
Unrestricted	21,988,066	352,257	22,340,323
Total net position	$ 401,257,641	$ 965,804	$ 402,223,445

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2023

	Virginia State University	VSU Research Foundation	Total
Operating revenues	$ 67,183,195	$ 92,000	$ 67,275,195
Operating expenses	195,473,742	31,038	195,504,780
Operating income/(loss)	$ (128,290,547)	$ 60,962	$ (128,229,585)
Nonoperating revenues/(expenses):			
State appropriations	89,498,451	-	89,498,451
Federal student financial aid	15,587,233	-	15,587,233
Other nonoperating revenues/(expenses)	36,709,474	-	36,709,474
Net nonoperating revenues/(expenses)	141,795,158	-	141,795,158
Income/(loss) before other revenues and reductions	13,504,611	60,962	13,565,573
Other revenues:			
Capital grants and gifts	4,121,678	-	4,121,678
State appropriations Capital Projects	75,598,731	-	75,598,731
Additions/(reductions) to permanent endowments	551,297	-	551,297
21st Century Bonds Reimbursement Program	18,017,970	-	18,017,970
Total other revenues	98,289,676	-	98,289,676
Total increase/(decrease) in net position	111,794,287	60,962	111,855,249
Net position, beginning of year as restated	289,463,354	904,842	290,368,196
Net position, end of year	$ 401,257,641	$ 965,804	$ 402,223,445

Note: The major source of revenue for the VSU Research Foundation is grant revenue, and operating expenses are fully comprised of research related expenses with no depreciation or amortization

Condensed Statement of Cash Flows For the year ended June 30, 2023	Virginia State University	VSU Research Foundation	Total
Cash flows from:			
Operating activities	$ (126,404,063)	$ 62,629	$ (126,341,434)
Noncapital financing activities	136,505,547	-	136,505,547
Capital and related financing activities	5,373,378	-	5,373,378
Investing activities	(21,775,938)	-	(21,775,938)
Net increase/(decrease) in cash and cash equivalents	(6,301,076)	62,629	(6,238,447)
Cash and cash equivalents, beginning of year	84,405,623	855,316	85,260,939
Cash and cash equivalents, end of year	$ 78,104,547	$ 917,945	$ 79,022,492

B. Basis of Presentation

The University's accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In recent years, several substantial GASB standards were issued, and the applicable requirements for VSU have been implemented. GASB Statement No. 87 titled "Leases" was effective for fiscal year 2022. The University reviewed all lease agreements to determine the impact of GASB Statement No. 87. Due to the amounts in and the length of the agreements, it was determined GASB 87 does not have a material impact on the financial statements for fiscal year 2023.

The following GASB statements of standards became effective in fiscal year 2023: Statement No. 91, *Conduit Debt Obligations,* Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* Statement No. 96, *Subscription-Based Information Technology Arrangements,* and Statement No. 99, *Omnibus 2022*, (paragraphs 11 through 25 only). Statement No. 96 establishes that a subscription-based information technology arrangement (SBITA) results in an intangible, right-to-use subscription asset and a corresponding subscription liability – similar to and based on the standards established in Statement No. 87, *Leases.* A SBITA is defined by Statement No. 96 as "a contract that conveys control of the right-to-use a third party's information technology software, alone or in combination with tangible assets, as specified in the contract for a period of time in an exchange or exchange-like transaction." The University recognized liabilities and related net right-to-use intangible assets of $3,500,830 and $4,160,675, respectively, for the fiscal year ending June 30, 2023. Statement No. 96 also requires that if comparative statements are presented, the earliest period presented must be re-stated to reflect the impact of the standard. For this reason, it is noted that certain prior period amounts for the fiscal year ended June 30, 2022, were restated for comparative purposes. The overall impact to prior year ending net position was an increase of $121,429. Additionally, Statement No. 96 requires footnote disclosure of additional information regarding SBITAs (see Note 6).

GASB Pronouncement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, simplifies the structure of the hierarchy of generally accepted accounting principles (GAAP). The GAAP hierarchy sets forth what constitutes GAAP for all state and local governments. This Standard establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance governmental entities must apply.

C. Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability has been incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated as well.

D. Cash Equivalents

The University considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. Funds invested through the state non-arbitrage program (SNAP) and portions of the funds invested in the State Securities Lending Program are considered cash equivalents.

E. Prepaid Expenses

Prepaid expenses represent University library books, memberships, subscriptions, postage, system maintenance agreements, service agreements and licenses that were paid in advance as of June 30, 2023.

F. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure assets, improvements other than buildings, inexhaustible works of art, intangible assets, and construction-in-progress are stated at appraised historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at acquisition value on the date of acquisition. Library materials are valued using purchase price for library acquisitions and are capitalized if the annual composite amount is $5,000 or greater. Buildings and infrastructure are capitalized when the cost is $100,000 or greater. Building renovations are capitalized when cost is $100,000 or greater, and the asset value significantly increases or the useful life is significantly extended. Equipment is capitalized when the acquisition cost is $5,000 or greater and the estimated useful life is greater than one year. Expenses for construction-in-progress are capitalized as they are incurred. Intangible assets are capitalized when the acquisition cost is $100,000 or greater.

Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Buildings	30-60 years
Infrastructure assets	15-20 years
Equipment	2-10 years
Intangible assets – computer software	5-10 years
Library books	5 years
Other improvements	20 years

Capital assets also include intangible, right-to-use subscription-based software as defined under GASB Statement No. 96. These right-to-use assets are amortized straight-line over the lives of their related underlying agreements.

G. Net Position

Net investment in capital assets represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component.

Resources restricted by outside sources are distinguished from unrestricted resources allocated for specific purposes by action of the Board of Visitors. Externally restricted resources may be utilized only in accordance with the purposes established by the source of such resources and are in contrast with unrestricted resources, of which the governing board retains full control to use in achieving the institutional purpose.

Restricted net position can be expendable or nonexpendable. Nonexpendable restricted net position are endowments and similar type funds where the donor(s) or some other outside source has stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Expendable restricted net position are resources which the University is legally or contractually obligated to spend in accordance with the restrictions imposed by external parties.

Unrestricted net position are resources derived primarily from state appropriations, sales and services of educational departments, student tuition and fees, auxiliary enterprises fees and revenues, and gifts. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

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

H. Unearned Revenue

Unearned revenue represents revenues collected, but not earned as of June 30, 2023. This consists primarily of student tuition and fees received in advance of the academic term and advance payments from grant and contract sponsors.

I. Accrued Compensated Absences

The amount of leave earned, but not taken by 12-month faculty and salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects all unused vacation leave, overtime leave, compensatory leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy as of June 30, 2023. The applicable share of employer-related taxes payable on eventual termination payments is also included.

J. Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts and other revenue sources that are defined as non-operating revenues by GASB Statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Funds Accounting,* and GASB Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis,* such as state appropriations, investment income, and federal student financial aid.

For 2023, "non-operating revenue" includes COVID-19 related Federal funding. The University received a total of $20.7 million in COVID-19 related funding. This was a part of funds received for COVID Relief, Education Stabilization-Student and Institutional Aid and HBCU Funding. These funds were used to give emergency aid to students, and 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. The University also used these funds for other expenses incurred due to the pandemic.

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

K. Discounts, Premiums, and Bond Issuance Costs

Bonds payable on the Statement of Net Position are reported net of related premiums and discounts, which are amortized as revenue or expense over the life of the bond. Bond issuance costs are expensed as incurred, due to the implementation of GASB Statement 65 *Items Previously Reported as Assets and Liabilities*.

L. Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowance in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. The scholarship allowance is reported using the alternative method as recommended by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payment to students, excluding payments for services, on the ratio of total aid to the aid not considered third-party aid.

M. Title IV Federal Financial Assistance Programs

The University participates in the following federally funded programs: Federal Pell Grant (PELL) and Teacher Education Assistance for College and Higher Education (TEACH) Grant; Federal Supplemental Educational Opportunity Grant (SEOG); Federal Direct Subsidized and Unsubsidized; Federal Parent Loan for Undergraduate and Graduate Students (PLUS), Federal Perkins Loan and Federal College Work Study (CWS).

N. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized comparative 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 as of and for the year ended June 30, 2022, from which the summarized information was derived. It is noted that certain prior period amounts from fiscal year 2022 were restated for conformity with the fiscal year 2023 implementation of GASB Statement No.96, *Subscription-Based Information Technology Arrangements*.

O. Deferred Outflows and Deferred Inflows of Resources

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

For the University, gains on retirement of debt are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Each year these amounts are amortized and included as a component of interest expense based on the life of the debt. Changes in net pension liability and OPEB liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. In addition, employer contributions subsequent to the measurement date of the net pension liability are also reported as deferred outflows of resources.

P. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' Retirement 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' Retirement System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's fiduciary net 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 additional information on the VRS and VaLORS pension plans.

Q. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net 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. See Note 12 Other Post-Employment Benefits for additional plan information.

R. 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. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 Other Post-Employment Benefits for additional plan information.

S. VRS Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's fiduciary net 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. See Note 12 Other Post-Employment Benefits for additional plan information.

T. Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's fiduciary net 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. See Note 12 Other Post-Employment Benefits for additional plan information.

U. Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit Other Postemployment Benefit 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, the 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 that might otherwise be available outside of this benefit.

V. Leases and Subscription-Based Information Technology Arrangements (SBITA)

Leases and SBITAs in-scope under GASB Statement No.'s 87 and 96 are required to be reported on the Statement of Net Position. Leases are classified as in-scope under Statement No. 87 if the agreement is valued at greater than $50,000 and is longer than 12 months in duration. SBITAs are also classified as in-scope under Statement No. 96 if the agreement is valued at greater than $50,000 and is longer than 12 months in duration. Agreements falling below these thresholds are recognized as outflows of resources (expenses) during the period in which the related payments occur. In-scope situations in which the University acts as the Lessee are recorded as leases/SBITAs payable at the discounted present value of the fixed payment streams stipulated by the related agreement. A coordinating 'right-to-use' intangible asset is recorded and amortized straight-line over the life of the related agreement.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all State funds of the University are held by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of State funds. Cash deposits held by the University are maintained in accounts that are covered by Federal Depository Insurance Corporation (FDIC) up to $250,000. At June 30, 2023, the amount of uncollateralized deposits exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC) by $3,571,396. In accordance with the GASB Statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds,* definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, and cash deposits including certificates of deposit and temporary investments with original maturities of three months or less. 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. At June 30, 2023, the carrying amount of cash and cash equivalents was $79,022,492.

B. Investments - Credit Risk, Custodial Credit Risk, and Interest Rate Risk

Pursuant to Section 23.1-1301*, Code of Virginia*, the Board of Visitors of Virginia State University has the broad authority to manage the funds of the University. In doing so, the Board created an "Investment Policy" which governs the investment of the University's pooled endowed funds and sets forth the responsibilities of the University, its investment advisors, and external managers. The University's Endowment consists of gifts, Board-designated endowments, and funds connected with the Title III Endowment Challenge Grant Program. It is the intent of the Board that these funds be invested with a long-term approach aimed at generating sustainable levels of income to support the academic mission of the University. In order to do so, the University adheres to the guidelines set forth by the Uniform Prudent Management of Institutional Funds Act, *Code of Virginia* Section 64.2-1100 et seq., to evaluate common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following disclosures are made in accordance with GASB Statement 40 *Deposit and Investment Risk Disclosures*. As an element of interest rate risk, this statement requires certain disclosures of investments with fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement must be disclosed. GASB Statement 40 also modifies disclosures required by GASB Statement 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.*

As of June 30, 2023, the University had investments with the following investment managers:

Spider Management Group	$50,152,155
Consequent Capital Management	$22,891,675
Virginia State University Foundation	$4,579,904
Total investments	$77,623,734

The University also participates in the Commonwealth's security lending program. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's ACFR. VSU reported $3,653,281 of cash and cash equivalents for the Securities Lending Program for fiscal year 2023.

The University has invested a portion of its investment funds with Virginia State University Foundation (VSUF). The funds are to be invested by the Foundation in accordance with their investment policy and to be held in an account separate from their pooled funds. VSUF tracks the earnings and losses on these funds and adjusts the balance accordingly, and is required to return the fair market value of the funds at the time the University requests the funds.

C. Fair Value Measurement

The following disclosures are made in accordance with GASB Statement 72 *Fair Value Measurement and Application*. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. Furthermore, all investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

In the chart below, SNAP Investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments:	Not Applicable to Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value (NAV)	Credit Rating
Cash	$ 54,099,752	$ -	$ -	$ -	$ -	
Cash equivalent (SNAP)	24,922,740	-	-	-	-	AAA
Cash (Investments)	134,624	-	-	-	-	Not applicable
Stocks	-	3,139,729	-	-	-	Not applicable
Exchange Traded Securities and Closed End Funds	-	-	-	-	-	Not applicable
Mutual Funds	-	23,971,725	-	-	-	Not rated
Hedge Funds	-	225,501	-	-	-	
Unitized Investment Pool (Spider)	-	-	-	-	50,152,155	Not rated
Total	$ 79,157,116	$ 27,336,955	$ -	$ -	$ 50,152,155	

The Richmond Fund, managed by the Spider Management Group, creates a strategic mix of asset classes in order to preserve principal and build long-term capital. Diversification is the core tenant of the Richmond Fund, which invests across asset classes broadly categorized as public equity, private equity/venture capital, multi-strategy/credit, and real assets.

The following chart provides information on the availability of the investment funds:

Investment Type	Redemption Frequency	Redemption Notice Period
Unitized Investment Pool (Spider)	Quarterly	60 days

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The University does not invest directly in fixed income securities, but rather holds shares of mutual funds which target specific types of fixed income instruments. Doing so allows the University to construct a fixed-income portfolio which carries prudent levels of interest rate risk by targeting and maintaining an average duration congruent with the investment objectives of the University. These mutual funds have a maturity of less than one year.

E. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Section 2.2.-4501 of the Code of Virginia authorizes the investment of local funds held by the University in obligations of the Commonwealth; federal government; other states or political subdivisions thereof; Virginia political subdivisions; the International Bank for Reconstruction and Development; the Asian Development Bank; and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated Prime 1 by Moody's Investment Service or A-1 by Standard and Poor's, Incorporated. The University may also invest in overnight term or open repurchase agreements and money market funds. The University does not hold rated debt securities directly but rather constructs a balanced fixed-income mutual fund portfolio which assumes levels of credit risk appropriate with its risk and return objectives.

F. Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the endowment funds will not be able to recover the value of the investments that are in possession of an outside party. The University does not have a formal investment policy for custodial arrangements. At June 30, 2023, the University endowment funds were held at the custodial banks, the Spider Management Group, and Truist. All investments, for which custodial credit risk is applicable, are registered and held in the name of the University and, therefore, the University does not have this risk.

Custodial credit risk for cash is the risk that in the event of the failure of the counterparty, the cash held in deposit with the outside party will not be fully recoverable. At June 30, 2023, VSURF had uncollateralized deposits exceeding the amounts insured by the Federal Deposit Insurance Corporation (FDIC) of $667,945.

G. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government or university in a single issuer. The University does not have a formal policy to reduce concentration of credit risk; however, all of the University's investments were held in various instruments and stocks and were not exposed to this risk.

H. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investment or deposit. The University does not have a policy limiting foreign investments. The University does not have any funds subject to foreign currency risk.

I. VSUF – Cash and Investments

The investments of the VSUF consist primarily of equity securities and mutual funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. The amount of cash and investments held by the VSUF at June 30, 2023, was $36,025,659.

At June 30 2023, the VSUF had $28,868,647 in total investments. These investments are classified as follows: $28,804,313 as Level 1; $ -0- as Level 2; $64,334 as Level 3.

J. VSUREF - Cash and Investments

The investments of the VSUREF consist primarily of U.S. government money market funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. Cost is determined based on the initial purchase price of each individual investment. The amount of cash and investments held by the VSUREF at December 31, 2022 was $4,349,467.

At December 31, 2022, the VSUREF had $(599,910) related to a derivative interest rate swap agreement. This investment is classified as Level 2.

2.1 DONOR RESTRICTED ENDOWMENTS

Investments of the university's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations. The Uniform Prudent Management of Institutional Funds Act, Code of Virginia Title 64.2, Chapter 11, permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. The payout percentage is reviewed and adjusted annually as deemed prudent.

The University, at fiscal year 2023 year-end, had a net appreciation of $7,341,985 which is available to be spent and is reported in the Statement of Net Position in the following categories: Restricted Expendable for Scholarships and Fellowships - $3,881,259, Restricted Expendable for Instruction - $3,360,323, and Restricted Expendable for Other - $100,403.

3. ACCOUNTS AND NOTES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowance for doubtful accounts in the accompanying Statement of Net Position.

Accounts Receivable at June 30, 2023		
University:		
Student tuition and fees	$	2,975,654
Federal, state and private grants and contracts		9,088,516
Multi-purpose center		122,384
Auxiliary enterprises		143,264
Third party receivables - students		780,558
Other receivables		269,727
Gross accounts receivable		13,380,102
Less: Allowance for doubtful accounts		(2,122,048)
Net accounts receivable		11,258,054
Research Foundation:		
Gross accounts receivable		49,526
Less: Allowance for doubtful accounts		-
Net accounts receivable		49,526
Total net accounts receivable	$	11,307,580

B. Due from the Commonwealth

Receivables due from the Commonwealth represent reimbursements due for equipment purchases made by the University under the Equipment Trust Fund and bond reimbursement programs. On a reimbursement basis, the Equipment Trust Fund program provides State-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment.

The details for the receivables due from the Commonwealth are as follows:

Due from the Commonwealth at June 30, 2023	
21 Century Bond Reimbursement - Demolish Daniel Gym and Replace Harris Hall	$ 5,225,394
21 Century Bond Reimbursement - Construct Multipurpose Center Project	474,605
21 Century Bond Reimbursement - Maintenance Reserve	78,016
21 Century Bond Reimbursement - Infrastructure Campus Safety	(9,095)
21 Century Bond Reimbursement - Construct Administrative Building Detail Planning	392
21 Century Bond Reimbursement - Improve Heating AC and Ventilation	152,512
21 Century Bond Reimbursement - Equipment Trust Fund	1,255,004
Total due from the Commonwealth	7,176,828

C. Notes Receivable

Notes receivable are shown net of an allowance for doubtful accounts in the accompanying Statement of Net Position.

At June 30, 2023, notes receivable consisted of the following:

Notes Receivable at June 30, 2023	
Notes receivables:	
Federal student loans	1,259,953
Less: Allowance for doubtful accounts	(234,329)
Total notes receivable	$ 1,025,624

4. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2023, is presented as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Nondepreciable capital assets:				
Land	$ 19,527,203	$ 469,121	$ -	$ 19,996,324
Inexhaustible works of art and historical treasures	119,000	-	-	119,000
Construction in progress	15,252,313	24,043,940	-	39,296,253
Total nondepreciable capital assets	34,898,516	24,513,061	-	59,411,577
Depreciable and amortizable capital assets:				
Buildings	392,702,093	-	-	392,702,093
Equipment	35,087,498	6,614,468	(762,141)	40,939,825
Infrastructure (includes Improvements other than buildings)	30,596,131	925,844	(32,868)	31,489,107
Library books	20,370,442	6,986	(2,638)	20,374,790
Intangible Assets:				
Computer Software	3,347,006	-	-	3,347,006
Right-to-use subscription assets *	1,943,176	4,247,025	-	6,190,201
Total depreciable ad amortizable capital assets	484,046,346	11,794,323	(797,647)	495,043,022
Less accumulated depreciation for:				
Buildings	161,447,751	7,031,315	-	168,479,066
Equipment	26,746,967	1,590,664	(762,141)	27,575,490
Infrastructure (includes Improvements	-			-
other than buildings)	18,604,134	838,255	(32,868)	19,409,521
Library books	20,275,509	10,182	(2,638)	20,283,053
Less accumulated amortization for:				
Computer Software	3,347,006	-	-	3,347,006
Right-to-use subscription assets *	635,881	1,393,645	-	2,029,526
Total accumulated depreciation and amortization	231,057,248	10,864,061	(797,647)	241,123,662
Net depreciable and amortizable capital assets	252,989,098	930,262	-	253,919,360
Total	$ 287,887,614	$ 25,443,323	$ -	$ 313,330,937

*Beginning balances have been restated due to the implementation of GASB Statement No. 96 SBITAs.

Net capital assets of the VSUREF consist of $542,828 for land and $4,285,936 (net of accumulated depreciation of $11,039,491) for buildings, land improvements, and equipment as of December 31, 2022.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at June 30, 2023:

Employee salaries, wages, and fringe benefits payable	$	5,011,033
Matured interest payable		456,600
Vendor and supplier accounts payable		18,311,270
Total	$	23,778,903

6. LONG-TERM LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 7) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2023 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current	Noncurrent
Long-term debt:						
General obligations revenue bonds	$ 59,122,058	$ -	$ (8,115,684)	$ 51,006,374	$ 7,880,975	$ 43,125,399
Notes payable	1,424,120	$ 24,615,863	(761,645)	25,278,338	130,000	25,148,338
Total long-term debt	60,546,178	24,615,863	(8,877,329)	76,284,712	8,010,975	68,273,737
Other noncurrent liabilities:						
Net pension liability *	32,799,221	7,989,692	-	40,788,913	-	40,788,913
OPEB Liability *	11,611,153	-	(757,532)	10,853,621	288,436	10,565,185
Accrued compensated absences	4,862,894	3,346,104	(2,479,553)	5,729,445	2,572,830	3,156,615
Federal Perkins loan contributions	1,521,882	-	-	1,521,882	-	1,521,882
Subscription based IT arrangements **	1,185,866	4,247,025	(1,932,061)	3,500,830	1,743,300	1,757,530
Total other noncurrent liabilities	51,981,016	15,582,821	(5,169,146)	62,394,691	4,604,566	57,790,125
Total long-term liabilities	$ 112,527,194	$ 40,198,684	$ (14,046,475)	$ 138,679,403	$ 12,615,541	$ 126,063,862

* Reflects net change

** Beginning balances have been restated due to the implementation of GASB Statement No. 96 SBITAs.

A summary of future principal and interest requirements of subscription based information technology agreement liabilities for fiscal years as of June 30, 2023, are as follows:

Maturity	Principal	Interest	Total
2024	1,743,300	191,898	1,935,198
2025	1,581,282	96,584	1,677,866
2026	149,558	8,069	157,627
2027	26,690	1,364	28,054
2028	-	-	-
Total	$ 3,500,830	$ 297,915	$ 3,798,745

7. LONG-TERM INDEBTEDNESS

A. Bonds Payable

The University's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. All of the bonds at the University are Section 9(c) bonds. These bonds are backed by the full faith, credit and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

A summary of future principal and interest requirements of bonds payable for fiscal years as of June 30, 2023, are as follows:

General obligation revenue bonds:	Interest Rate	Maturity	Total
Constr Two Res Halls - 2007B Ref Portion, Series 2013B	4.0%	2025	3,553,992
Constr Dining Hall - 2006B Ref Portion, Series 2013B	4.0%	2026	933,497
Constr Residence Halls - 2006B Ref Portion, Series 2013B	4.0%	2026	3,608,255
Constr Res Halls - 2007A Ref Portion, Series 2013B	4.0%	2027	554,187
Construct Two Residence Halls-2007B Ref Portion, Series 2015B	5.0%	2027	3,622,618
Construct Gateway Res Hall Phase, Ref (2011A Ref) Series 2020B	0.55% - 1.41%	2031	20,015,000
Construct Quad Phase II, Ref (2011A Ref) Series 2020B	0.55% - 1.41%	2031	17,520,000
Add unamortized premium			1,198,825
Total bonds payable			$ 51,006,374

Aggregate annual maturities of bonds payable for fiscal years after 2023 are:

Maturity	Principal	Interest	Total
2024	7,880,975	907,614	8,788,589
2025	8,069,814	729,025	8,798,839
2026	8,095,905	565,105	8,661,010
2027	6,655,855	376,110	7,031,965
2028	4,685,000	237,744	4,922,744
2029 - 2033	14,420,000	388,023	14,808,023
Add unamortized premium (net of discount)	1,198,825	-	1,198,825
Total	$ 51,006,374	$ 3,203,621	$ 54,209,995

B. Notes Payable

In prior years, the University participated in the Virginia College Building Authority (VCBA) Pooled Bond Program to fund the renovation of Rogers Stadium and the Student Village Housing Renovation Project. In 2023, the University once again participated in the Virginia College Building Authority (VCBA) Pooled Bond Program to fund the Renovation and Expansion of the Student Union Building. At June 30, 2023, the outstanding reported balance was $25,278,338 for the VCBA notes payable.

A summary of future principal and interest requirements of the VCBA notes payable for the fiscal years as of June 30, 2023, are as follows:

Virginia College Building Authority Notes Payable:	Interest Rate	Maturity	Total
VSU Roger Stadium Proj-12A Ref Taxable (05A Ref) Series 2021B	0.48-0.50%	2025	265,000
VSU Student Village Hsg. - 12A Ref Taxable (05A Ref) Series 2021B	0.48-0.50%	2025	140,000
VSU Pooled Bonds-Roger's Stadium-2005A, Ref Portion, Series 2014B	4.0%	2026	190,000
VSU Pooled Bonds-Student Village Hsg-2005A, Ref Portion, Series 2014B	4.0%	2026	95,000
VSU Pooled Bonds-Student Union Building Series 2023A	4.0% - 5.0%	2048	22,345,000
Add unamortized premium (net of discount)			2,243,338
Total notes payable			$ 25,278,338

Aggregate annual maturities of notes payable for fiscal years after 2023 are:

Maturity	Principal	Interest	Total
2024	130,000	1,078,583	1,208,583
2025	275,000	1,013,610	1,288,610
2026	830,000	993,625	1,823,625
2027	575,000	959,925	1,534,925
2028	600,000	930,550	1,530,550
2029-2033	3,510,000	4,156,500	7,666,500
2034-2038	4,500,000	3,160,250	7,660,250
2039-2043	5,680,000	1,978,625	7,658,625
2044-2048	6,935,000	715,300	7,650,300
Add unamortized premium:	2,243,338	-	2,243,338
Total	$ 25,278,338	$ 14,986,968	$ 40,265,306

C. Defeased Debt

In fiscal year 2021, the Commonwealth of Virginia, on behalf of the University, issued bonds and notes for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. The balance of defeased bonds at June 30, 2022 was $535,000, all of which were paid in fiscal year 2023.

D. Foundation Debt

The VSUREF refinanced and paid off the Series 2006 bonds and obtained $20,330,000 in Series 2008 bonds of which $9,913,247 in principal remains at December 31, 2022. The Series 2008 bonds are collateralized by the rental property and equipment. Also, the VSUREF is required to maintain a debt service reserve. The contractual interest rates are variable.

The Series 2008 bonds mature on July 1, 2031, and the VSUREF has agreed to prepayment terms of the principal to the Trustee with payments remaining due as follows:

Maturity	Principal
2023	1,160,000
2024	1,215,000
2025	1,275,000
2026	1,340,000
2027	1,405,000
Thereafter	3,559,704
Total	$ 9,954,704

In conjunction with the refinancing of the bonds, loan costs of $124,371 were incurred and are being amortized over the life of the debt. Amortization expense for both the year ended December 31, 2022 and 2021 was $5,528 and $5,527.

The VSUREF had entered into an interest rate swap agreement as part of the provisions of the Series 2006 bond agreement. When the VSUREF issued the 2008 Series bonds the original swap contract was satisfied and a new interest rate swap agreement was obtained. Per the terms of the 2008 swap agreement, the VSUREF pays a fixed rate of interest of 4.12%. The interest rate swap agreements qualify as derivative financial instruments and are used to mitigate the effect of interest rate fluctuations. The VSUREF accounts for the interest rate swaps as fair value hedges whereas other liabilities in the accompanying statements of financial position with the offsets recorded as expenses.

The fair value of these contracts was $559,910 and $1,634,257 at December 31, 2022 and 2021 respectively. This is the amount the VSUREF would have to pay to settle the interest rate swaps as of these respective dates.

In conjunction with the bond issuance, the University signed a support agreement with the VSUREF stating that the project will be an equal part of the student housing program, provide preferential treatment to provide 95% occupancy if the debt service coverage ratio is less than 1.2 to 1, and limit additional housing projects.

8. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of a biennium.

The following is a summary of state appropriations received by the University for the year ended June 30, 2023:

Virginia State University:		
Original legislative appropriation:		
Education and general programs		61,636,894
Higher education student financial assistance		20,013,821
Supplemental adjustments:		
State grants and scholarships		751,988
Fiscal year 2023 Approp-Tech Talent		305,824
Fiscal year 2023 Approp-Police Grant -DCJS		1,000,000
VIVA interlibrary loan allocation		3,057
Fiscal year 2023 central appropriation distribution		1,239,904
Capital outlay fee -fiscal year 2023		(773,577)
VCBA debt service appropriations		(108,886)
Credit card rebates		16,587
Interest earnings		7,547
Year-end cash reversion		(2,182,379)
Reappropriation of fiscal year 2022 carry forward		19,496
		81,930,276
Cooperative Extension and Agricultural Research Services:		
Original legislative appropriation:		
Education and general programs		7,310,969
Supplemental adjustments:		
Fiscal year 2023 central appropriation distribution		110,715
Year-end cash reversion		(3,218,350)
Reappropriation of fiscal year 2022 carry forward		3,364,841
		7,568,175
Total state appropriations	$	89,498,451

9. EXPENSES BY NATURAL CLASSIFICATION

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

Natural Classification as of June 30, 2023	Salaries & Wages	Fringe Benefits	Services & Supplies	Scholarships & Fellowships	Utilities	Amortization & Depreciation	Total
Instruction	$ 28,405,985	$ 6,709,265	$ 12,745,133	$ 694,038	$ 190,345	$ -	$ 48,744,766
Research	4,266,120	1,064,260	3,027,441	213,247	147,248	-	8,718,316
Public Service	4,499,171	1,140,910	3,442,396	1,530	170,845	-	9,254,852
Academic Support	3,477,751	849,555	3,112,004	-	32,620	-	7,471,930
Student Services	3,753,693	914,798	2,105,383	7,082	57,802	-	6,838,758
Institutional Support	14,966,064	4,131,476	11,798,143	214,948	906,669	-	32,017,300
Operations & Maintenance of Plan	434,550	379,246	6,818,453	-	4,231,646	-	11,863,895
Scholarships & Fellowships	-	-	-	15,363,416	-	-	15,363,416
Amortization	-	-	-	-	-	1,393,645	1,393,645
Depreciation	-	-	-	-	-	9,470,416	9,470,416
Auxiliary Enterprises	5,062,679	1,139,425	29,322,101	5,661,467	3,181,814	-	44,367,486
Total	$ 64,866,013	$ 16,328,935	$ 72,371,054	$ 22,155,728	$ 8,918,989	$ 10,864,061	$ 195,504,780

10. COMMITMENTS

As of June 30, 2023, the University was a party to construction and other contracts totaling $133,002,797 of which $103,089,353 was still outstanding.

11. RETIREMENT PLANS

A. Virginia Retirement System – Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1.	**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, they were vested as of January 1, 2013,	**Eligible Members** Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

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 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.	date is prior to July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Same as Plan 1.	• Full-time permanent, salaried state employees*. • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS). Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a	**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

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 payments.		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** **<u>Defined Benefit Component:</u>** 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. **<u>Defined Contributions Component:</u>** 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

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

Distributions not required, except as governed by law.</td></tr>
<tr><td>Calculating the Benefit
The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction 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.</td><td>Calculating the Benefit
See definition under Plan 1.</td><td>Calculating the Benefit
<u>Defined Benefit Component:</u>
See definition under Plan 1.

<u>Defined Contribution Component:</u>
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</td></tr>
<tr><td>Average Final Compensation
A member’s average final compensation is the average of the 36 consecutive months of highest</td><td>Average Final Compensation
A member’s average final compensation is the average of their 60 consecutive months of highest</td><td>Average Final Compensation
Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</td></tr>
</table>

compensation as a covered employee.	compensation as a covered employee.	
Service Retirement Multiplier ***VRS***: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. ***VaLORS***: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. ***VaLORS***: The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.	**Service Retirement Multiplier** ***<u>Defined Benefit Component:</u>*** ***VRS:*** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. ***VaLORS***: Not applicable. *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** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	**Earliest Unreduced Retirement Eligibility**	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>**

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. **VaLORS:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest 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:** Age 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** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>**	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>**	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2.

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 full calendar year following the unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	Same as Plan 1 **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

• 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 1.70% 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	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service.

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.		**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 fiscal year ended June 30, 2023, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rate which were based on actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rates, when combined with employee contributions, were 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 $6,176,291 and $5,601,639 for the years ended June 30, 2023, and June 30, 2022, respectively. Contributions from the University to the VaLORS Retirement Plan were $260,185 and $251,910 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, Commonwealth made a special contribution of approximately $219.1 million to the VRS State plan and $19.9 million to VaLORS. These special payments were authorized by Chapter 1 of the 2022 Appropriation Act, and are classified as special employer contributions. The University's proportionate share of these special contributions were reported in the Other Nonoperating Revenue line.

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

At June 30, 2023, the University reported a liability of $38,733,600 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $2,055,313 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plans for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion of the VRS State Employee Retirement Plan was 0.85346% as compared to 0.85987% at June 30, 2021. At June 30, 2022, the University's proportion of the VaLORS Retirement Plan was 0.32468% as compared to 0.30857% at June 30, 2021.

For the year ended June 30, 2023, the University recognized pension expense of $1,433,397 for the VRS State Employee Retirement Plan and $435,838 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2021, and June 30, 2022, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State Employee Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,561,933
Net difference between projected and actual earnings on pension plan investments	-	5,645,449
Change in assumptions	1,554,034	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	200,794	1,517,206
Employer contributions subsequent to the measurement date	6,176,291	-
Total	$ 7,931,119	$ 9,724,588

VaLORS Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 23,466	$ 10,759
Net difference between projected and actual earnings on pension plan investments	-	168,560
Change in assumptions	28,042	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,848	-
Employer contributions subsequent to the measurement date	260,185	-
Total	$ 389,541	$ 179,319

$6,436,476 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. 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:

State Retirement Plan Year Ended June 30:		VaLORS Retirement Plan Year Ended June 30:	
2024	$(3,386,199)	2024	$52,613
2025	$(3,140,672)	2025	$(69,258)
2026	$(4,113,202)	2026	$(115,743)
2027	$2,670,313	2027	$82,425
2028	$0	2028	$0

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% rates for females.

Post-disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	$ 27,117,746	$ 2,474,068
Plan Fiduciary Net Position	22,579,326	1,841,041
Employers' Net Pension Liability (Asset)	$ 4,538,420	$ 633,027
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.26%	74.41%

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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi - Asset Public	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	Expected arithmetic nominal return**		**7.83%**

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%.

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, 2022, 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, 2021, on, all agencies are assumed to continue 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 net pension liability 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%)
Virginia State University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$66,196,745	$38,733,600	$15,971,396

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability 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%)
Virginia State University's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	$3,127,381	$2,055,313	$1,181,295

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 2022 *Annual Report.* A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2023, the University reported a payable of $346,724 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in one of two other retirement plans: 1) DCP and 2) Teacher Insurance and Annuity Association/College Retirement Equity Fund. These are fixed-contribution programs where the retirement benefits received are based upon the total of employer and employee contributions, plus investment returns. Individual contracts issued under these plans provide full and immediate vesting of both the University and the participants' contributions.

For employees who became members of the respective plans prior to July 1, 2010, there is an employer required contribution of 10.4 percent. Annual pension costs under these plans totaled $523,141 for the year ended June 30, 2023. Contributions to these retirement programs were calculated using the base salary amount of $5,030,205.

For employees who became members of the respective plans on or after July 1, 2010, there is an employer required contribution of 8.5 percent and an employee required contribution of 5 percent. Annual pension costs under these plans totaled $437,887 for the year ended June 30, 2023. Contributions to these retirement programs were calculated using the base salary amount of $5,151,614.

C. Deferred Compensation

On a voluntary basis, University 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 matched dollar amount 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 expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was $133,467 for fiscal year 2023.

12. OTHER POSTEMPLOYMENT BENEFITS

As well as providing voluntary and involuntary termination benefits, the University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program.

The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the Commonwealth and administered by the Department of Human Resources Management. Below are the detailed descriptions for each program. Additional information related to all Other Postemployment Benefit (OPEB) plans is available at the state-wide level in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

A. Virginia Retirement System - Group Life Insurance Program (GLI)

Plan Description

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

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

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

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

- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their 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
    - Seatbelt 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 $8,984 as of June 30, 2023.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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. Contributions to the Group Life Insurance Program from the University were $301,344 and $252,847 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act. The University's proportionate share of these special contributions were reported in the Other Nonoperating Revenue line.

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

At June 30, 2023, the University reported a liability of $2,712,227 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net GLI OPEB Liability was based on the University's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion was 0.22525% as compared to 0.22561% at June 30, 2021.

For the year ended June 30, 2023, the University recognized GLI OPEB expense of $29,875. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Virginia State University's GLI Plan	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 214,774	$ 108,808
Net difference between projected and actual earnings on GLI OPEB program investments	-	169,475
Change in assumptions	101,161	264,182
Changes in proportionate share	42,453	211,890
Employer contributions subsequent to the measurement date	301,344	
Total	$ 659,732	$ 754,355

$301,344 reported as deferred outflows of resources related to the GLI OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2024	$	(94,264)
FY 2025	$	(89,050)
FY 2026	$	(178,291)
FY 2027	$	(13,256)
FY 2028	$	(21,106)
Thereafter	$	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.0 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Mortality rates – Largest 10 Locality Employers - General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest 10 Locality Employers - General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fix experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fix experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB Liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,672,085
Plan Fiduciary Net Position	2,467,989
GLI Net OPEB Liability (Asset)	$ 1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi - Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	Expected arithmetic nominal return**		7.83%

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%., including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the University for the GLI 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, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the University's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (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%)
VSU's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 3,946,608	$ 2,712,227	$ 1,714,678

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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 Group Life Insurance OPEB Plan

At June 30, 2023, the University reported $34,295 in payables to the VRS Group Life Insurance OPEB Plan.

B. Virginia Retirement System – Health Insurance Credit Program (HIC)

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.

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: • **<u>At Retirement</u>** – For State employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. • **<u>Disability Retirement</u>** – 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 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.

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

Contributions

The contribution requirement for active employees is governed by § 51.1-1400(D) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2023, was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were $656,733 and $531,660 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included Chapter 1 of the 2022 Appropriation Act. The University's proportionate share of these special contributions were reported in the Other Nonoperating Revenue line.

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

At June 30, 2023, the University reported a liability of $5,297,099 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022 and the total VRS State Employee Health Insurance Credit Program OPEB Liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on VSU's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2022, VSU's proportion of the VRS State Employee Health Insurance Credit Program was 0.64664% as compared to 0.64573% at June 30, 2021.

For the year ended June 30, 2023, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of $344,752. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

Virginia State University's HIC Plan	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 907	$ 320,145
Net difference between projected and actual earnings on State HIC OPEB program investments	-	2,875
Change in assumptions	177,209	2,674
Changes in proportionate share	73,872	328,803
Employer contributions subsequent to the measurement date	656,733	
Total	$ 908,721	$ 654,497

$656,733 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from VSU's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2024	$	(105,720)
FY 2025	$	(96,958)
FY 2026	$	(117,718)
FY 2027	$	(58,451)
FY 2028	$	(23,020)
Thereafter	$	(642)

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.0 percent
Investment rate of return	6.75 percent, net of plan investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Net State Employee HIC OPEB Liability

The net OPEB Liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS State Employee Health Insurance Credit Program are as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	$ 1,043,748
Plan Fiduciary Net Position	224,575
State Employee net HIC OPEB Liability (Asset)	$ 819,173
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	21.52%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Asset Allocation	Expected Rate of Return	Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi - Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	Expected arithmetic nominal return**		7.83%

* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50% asset allocation.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

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

The following presents VSU's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what VSU's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (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%)
VSU's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 5,948,186	$ 5,297,099	$ 4,738,119

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the State Employee Health Insurance Credit Program OPEB Plan

At June 30, 2023, the University reported $28,663 in payables to the Health Insurance Credit Program OPEB Plan.

C. Virginia Retirement System – Line of Duty Program (LODA)

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 fiscal year 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 LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
Eligible Employees The eligible employees of the LODA Program include paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, SPORS, or VaLORS.
Benefit Amounts LODA provides death and health insurance benefits for eligible individuals: • **Death** – The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • **Health Insurance** – The LODA program provides health insurance benefits. o The health insurance benefits are managed through the Virginia Department of Human Resources Managements (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.

Contributions

The contribution requirements for the LODA Program are governed by § 9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2023, was $681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the University were $8,864 and $9,393 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the University reported a liability of $258,107 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB Liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. Virginia State University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the University's proportion was 0.06820% as compared to 0.06773% at June 30, 2021.

For the year ended June 30, 2023, the University's LODA OPEB expense of $28,865. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, Virginia State University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

Virginia State University's LODA Plan	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 19,830	$ 48,240
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,104
Change in assumptions	71,979	63,661
Changes in proportionate share	14,439	48,489
Employer contributions subsequent to the measurement date	8,864	-
Total	$ 115,112	$ 161,494

$8,864 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2024	$	(5,847)
FY 2025	$	(5,823)
FY 2026	$	(5,798)
FY 2027	$	(7,522)
FY 2028	$	(9,774)
Thereafter	$	(20,483)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50 percent
Salary increases, including Inflation –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00 percent – 4.75 percent
Ages 65 and older	5.25 percent – 4.75 percent
Year of ultimate trend rate –	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.69 percent, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality rates – SPORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	$ 385,669
Plan Fiduciary Net Position	7,214
LODA Net OPEB Liability (Asset)	$ 378,455
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% 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 3.69% 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 Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. 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, 2022, 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 Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current rate:

	1.00% Decrease (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
Covered employer's proportionate share of the total LODA net OPEB Liability	$ 294,626	$ 258,107	$ 228,229

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

Because the Line of Duty Act Program (LODA) contains 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 7.00% 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 (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA net OPEB Liability	$ 217,511	$ 258,107	$ 309,060

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

D. Virginia Retirement System – Virginia Sickness & Disability Program (VSDP)

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 OPEB 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:

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 (LTD)** – 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 to five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

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

recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.

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

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2023, was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were $265,439 and $219,440 for the years ended June 30, 2023, and June 30, 2022, respectively.

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

At June 30, 2023, VSU reported a liability (asset) of $(2,407,736) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2022, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. Virginia State University's proportion of the Net VSDP OPEB Liability (Asset) was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion was 0.81576% as compared to 0.82153% at June 30, 2021.

For the year ended June 30, 2023, VSU recognized VSDP OPEB expense of $36,995. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

Virginia State University's VSDP Plan	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 242,374	$ 358,419
Net difference between projected and actual earnings on VSDP OPEB program investments	-	132,946
Change in assumptions	13,893	47,301
Changes in proportionate share	104,041	29,745
Employer contributions subsequent to the measurement date	265,439	-
Total	$ 625,747	$ 568,411

$265,439 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year ended June 30	
FY 2024	$ (91,220)
FY 2025	$ (89,519)
FY 2026	$ (114,539)
FY 2027	$ 33,858
FY 2028	$ 11,133
Thereafter	$ 42,183

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation		2.5 percent
Salary increases, including inflation –	General state employees	3.5 percent – 5.35 percent
	SPORS employees	3.5 percent – 4.75 percent
	VaLORS employees	3.5 percent – 4.75 percent
Investment rate of return		6.75 percent, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP- 2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality

	improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	$ 307,764
Plan Fiduciary Net Position	602,916
VSDP Net OPEB Liability (Asset)	($ 295,152)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	195.90%

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

Long-Term Expected Rate of Return

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	** Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. 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, 2022, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

Sensitivity of the University's Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate

The following presents VSU's proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 6.75%, as well as what the University's proportionate share of the net VSDP OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (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%)
VSU's proportionate share of the total VSDP Net OPEB Liability (Asset)	$ (2,216,104)	$ (2,407,736)	$ (2,576,111)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Disability Insurance Program (VSDP) OPEB Plan

At June 30, 2023, the University reported $12,112 in payables to the Disability Insurance Program (VSDP) OPEB Plan.

E. Department of Human Resource Management – Pre-Medicare Retiree Healthcare (PMRH)

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 3,647 retirees and 92,839 active employees in the program as of June 30, 2022. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2022 (one year prior to the end of the fiscal year). The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00 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, 2022 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.54%
Projected Salary Increases	5.35% to 3.5 % based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.00% to 4.50% Dental: 4.00%

Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2022.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

- Retiree Participation - reduced the rate from 40% to 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2022.

There were no plan changes in the valuation since the prior year.

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

At June 30, 2023, Virginia State University reported a liability of $2,586,189 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $363.4 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. The University's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions as of percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2022, Virginia State University's proportion was 0.71160% as compared to 0.72006% at June 30, 2021. For the year ended June 30, 2023, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of ($1,597,787).

At June 30, 2023, Virginia State University reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

Virginia State University's PMRH Plan	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ -	$ 1,181,052
Changes in assumptions	-	2,393,943
Changes in proportion	144,940	483,076
Subtotal	144,940	4,058,071
Amounts associated with transactions subsequent to the measurement date	282,780	-
Total	$ 427,720	$ 4,058,071

$282,780 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year ended June 30	
FY 2024	$ (1,630,166)
FY 2025	$ (1,052,065)
FY 2026	$ (647,045)
FY 2027	$ (399,044)
FY 2028	$ (184,408)
Thereafter	$ -

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

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.54%, 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 discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Rate (3.54%)	1% Increase (4.54%)
OPEB liability	2,730,102	2,586,189	2,445,298

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

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.00% 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 (7.00% decreasing to 3.50%) or one percentage point higher (9.00% decreasing to 5.50%) than the current rate:

	1% Decrease (7.00% decreasing to 3.50%)	Trend Rate (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
OPEB liability	2,354,427	2,586,189	2,853,065

13. CONTINGENCIES

The University is a party to various legal actions and other claims in the normal course of business. While the final outcomes cannot be determined at this time, legal counsel and management are of the opinion that a liability, if any, for these legal actions will not have a material effect on the University's financial position.

14. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors, and omissions; non-performance of duty, injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The State employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management.

Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the ACFR.

15. SUBSEQUENT EVENTS

On February 14, 2024, the Commonwealth of Virginia Treasury completed the sale of General Obligation Refunding, Series 2024B, issued to refund certain maturities of the Commonwealth's General Obligation Bonds. The Bonds were issued to provide debt service savings by refunding Series 2024B Construct Residence Hall and Construct Dining Hall 9c bonds.

Required Supplementary Information (RSI)

A. Virginia Retirement System - Pension Plan

Schedule of Virginia State University's (VSU) Share of Net Pension Liability:

The schedules below are intended to show information for 10 years. Since 2022 is the ninth year for this presentation, only eight additional years of data are available. However, additional years will be included as they become available.

Schedule of VSU's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Measurement Dates of June 30, 2015 through 2023 *

	VSU's Proportion of the Net Pension Liability (Asset)	VSU's Proportionate Share of the Net Pension Liability (Asset)	VSU's Covered Payroll	VSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.85346%	$ 38,733,600	$ 38,738,859	99.99%	83.26%
2022	0.85987%	$ 31,189,460	$ 37,180,228	83.89%	86.44%
2021	0.88722%	$ 64,277,826	$ 37,498,180	171.42%	72.15%
2020	0.91411%	$ 57,769,307	$ 37,288,802	154.92%	75.13%
2019	0.91079%	$ 49,307,000	$ 36,008,933	136.93%	77.39%
2018	0.90659%	$ 52,833,000	$ 34,960,267	151.12%	75.33%
2017	0.91023%	$ 59,991,000	$ 36,705,760	163.44%	71.29%
2016	0.96796%	$ 59,264,000	$ 36,576,480	162.03%	72.81%
2015	0.97741%	$ 54,719,000	$ 35,675,558	153.38%	74.28%

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

Schedule of VSU's Share of Net Pension Liability
VaLORS Employee Retirement Plan
For the Measurement Dates of June 30, 2015 through 2023 *

	VSU's Proportion of the Net Pension Liability (Asset)	VSU's Proportionate Share of the Net Pension Liability (Asset)	VSU's Covered Payroll	VSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.32468%	$ 2,055,313	$ 1,150,274	178.68%	74.41%
2022	0.30857%	$ 1,609,761	$ 1,075,352	149.70%	78.18%
2021	0.27998%	$ 2,191,930	$ 1,006,695	217.74%	65.74%
2020	0.24755%	$ 1,718,082	$ 844,031	203.56%	68.31%
2019	0.21711%	$ 1,353,000	$ 770,337	175.64%	69.56%
2018	0.21657%	$ 1,421,000	$ 1,080,200	131.55%	67.22%
2017	0.19813%	$ 1,534,000	$ 768,997	199.48%	61.01%
2016	0.19707%	$ 1,400,000	$ 718,727	194.79%	62.64%
2015	0.22780%	$ 1,535,000	$ 875,321	175.36%	63.05%

Schedule of Employer Contributions:

The schedule below is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only eight other years of data are shown. However, additional years will be included as they become available.

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	$ 6,176,291	$ 6,176,291	$ -	$ 42,712,939	14.46%
2022	$ 5,601,639	$ 5,601,639	$ -	$ 38,738,859	14.46%
2021	$ 5,376,261	$ 5,376,261	$ -	$ 37,180,228	14.46%
2020	$ 5,069,754	$ 5,069,754	$ -	$ 37,498,180	13.52%
2019	$ 5,041,446	$ 5,041,446	$ -	$ 37,288,802	13.52%
2018	$ 4,857,605	$ 4,857,605	$ -	$ 36,008,933	13.49%
2017	$ 4,716,140	$ 4,716,140	$ -	$ 34,960,267	13.49%
2016	$ 4,951,607	$ 4,951,607	$ -	$ 36,705,760	13.49%
2015	$ 4,509,880	$ 4,509,880	$ -	$ 36,576,480	12.33%

Schedule of Employer Contributions
VaLORS Employee Retirement Plan
For the Years Ended June 30, 2015 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	$ 260,185	$ 260,185	$ -	$1,057,663	24.60%
2022	$ 251,910	$ 251,910	$ -	$1,150,274	21.90%
2021	$ 235,502	$ 235,502	$ -	$1,075,352	21.90%
2020	$ 217,547	$ 217,547	$ -	$1,006,695	21.61%
2019	$ 209,995	$ 209,995	$ -	$ 844,031	24.88%
2018	$ 162,156	$ 162,156	$ -	$ 770,337	21.05%
2017	$ 227,382	$ 227,382	$ -	$1,080,200	21.05%
2016	$ 144,879	$ 144,879	$ -	$ 768,997	18.84%
2015	$ 126,999	$ 126,999	$ -	$ 718,727	17.67%

Notes to Required Supplementary Information:

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the VRS – State Employee Retirement Plan 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 PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption 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 PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

B. Virginia Retirement System - Group Life Insurance Program (GLI)

Schedule of Virginia State University's Share of Net GLI OPEB Liability:

The schedules below are intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only five other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Net OPEB Liability
Group Life Insurance Plan (GLI)
For the Years Ended June 30, 2018 through 2023 *

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net GLI OPEB liability (asset)	0.22525%	0.22561%	0.23807%	0.24097%	0.24455%	0.24194%
Employer's proportionate share of the net GLI OPEB liability (asset)	$ 2,712,227	$ 2,626,713	$ 3,972,999	$ 3,921,224	$ 3,714,000	$ 3,640,000
Employer's covered payroll	$ 46,823,519	$ 47,468,704	$ 49,850,962	$ 48,763,846	$ 46,663,846	$ 45,274,615
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	5.79%	5.53%	7.97%	8.04%	7.96%	8.04%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

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

Schedule of Employer Contributions

Schedule of Virginia State University's Employer Contributions Group Life Insurance OPEB Plan For the Years Ended June 30, 2018 through 2023					
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	301,344	301,344	-	55,804,444	0.54%
2022	252,847	252,847	-	46,823,519	0.54%
2021	256,331	256,331	-	47,468,704	0.54%
2020	259,225	259,225	-	49,850,962	0.52%
2019	253,572	253,572	-	48,763,846	0.52%
2018	242,652	242,652	-	46,663,846	0.52%

Notes to Required Supplementary Information:

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates

Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

C. Virginia Retirement System – Health Insurance Credit Program (HIC)

Schedule of Employer's Share of Net HIC OPEB Liability:

The schedules below are intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only five other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2018 through 2023*

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net HIC OPEB liability (asset)	0.64664%	0.64573%	0.67734%	0.69304%	0.68828%	0.69039%
Employer's proportionate share of the net HIC OPEB liability (asset)	$ 5,297,099	$ 5,453,452	$ 6,218,022	$ 6,397,253	$ 6,279,000	$ 6,286,000
Employer's covered payroll	$ 47,469,643	$ 47,880,804	$ 49,447,521	$ 48,372,564	$ 46,941,007	$ 45,652,500
Employer's proportionate share of the net HIC OPEB liability (asset) as a percentage of its covered payroll	11.16%	11.39%	12.57%	13.22%	13.38%	13.77%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	21.52%	19.75%	12.02%	10.56%	9.51%	8.03%

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

Schedule of Employer Contributions:

Schedule of Virginia State University's Employer Contributions Health Insurance Credit - State For the Years Ended June 30, 2018 through 2023					
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	656,733	656,733	-	58,636,875	1.12%
2022	531,660	531,660	-	47,469,643	1.12%
2021	536,265	536,265	-	47,880,804	1.12%
2020	578,536	578,536	-	49,447,521	1.17%
2019	565,959	565,959	-	48,372,564	1.17%
2018	544,888	544,888	-	46,941,007	1.16%

Notes to Required Supplementary Information:

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

D. Virginia Retirement System – Line of Duty Program (LODA)

Schedule of Virginia State University's Share of Net LODA OPEB Liability:

The schedules below are intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only five other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Net OPEB Liability
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2018 through 2023 *

	2023	2022	2021	2020	2019	2018
Employer's proportion of the Net LODA OPEB liability (asset)	0.06820%	0.06773%	0.06751%	0.06836%	0.09588%	0.08943%
Employer's proportionate share of the Net LODA OPEB liability (asset)	$ 258,107	$ 298,684	$ 282,743	$ 245,266	$ 300,000	$ 235,000
Covered-Employee Payroll**	$ 1,259,886	$ 1,119,368	$ 1,205,727	$ 1,254,257	$ 1,064,798	$ 1,004,688
Employer's proportionate share of the net LODA OPEB liability (asset) as a percentage of its covered-employee payroll**	20.49%	26.68%	23.45%	19.55%	28.17%	23.39%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

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

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

Schedule of Employer Contributions:

Schedule of Virginia State University's Employer Contributions Line of Duty Act Program (LODA) For the Years Ended June 30, 2018 through 2023					
Date	**Contractually Required Contribution**	**Contributions in Relation to Contractually Required Contribution**	**Contribution Deficiency (Excess)**	**Covered-Employee Payroll***	**Contributions as a % of Covered Payroll***
2023	8,864	8,864	-	1,366,430	0.65%
2022	9,393	9,393	-	1,259,886	0.75%
2021	9,325	9,325	-	1,119,368	0.83%
2020	9,175	9,175	-	1,205,727	0.76%
2019	9,175	9,175	-	1,254,257	0.73%
2018	10,213	10,213	-	1,064,798	0.96%

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

Notes to Required Supplementary Information:

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Employees In The Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Employees In The Non- Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change

Salary Scale	No change
Line of Duty Disability	No change

E. Virginia Retirement System – Virginia Sickness & Disability Program (VSDP)

Schedule of Virginia State University's Share of Net VSDP OPEB Liability (Asset):

The schedules below are intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only five other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Net OPEB Liability (Asset)
Disability Insurance Program(VSDP)
For the Years Ended June 30, 2018 through 2023

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net VSDP OPEB liability (asset)	(0.81576%)	(0.82153%)	(0.84500%)	(0.87592%)	(0.87127%)	(0.86221%)
Employer's proportionate share of the net VSDP OPEB liability (asset)	$ (2,407,736)	$ (2,831,982)	$ (1,864,817)	$ (1,718,513)	$ (1,963,000)	$ (1,771,000)
Employer's covered payroll	$ 35,973,770	$ 36,317,869	$ 36,425,968	$ 35,715,161	$ 34,119,091	$ 32,547,879
Employer's proportionate share of the net VSDP OPEB liability (asset) as a percentage of its covered payroll	-6.69%	-7.80%	-5.12%	-4.81%	-5.75%	-5.44%
Plan fiduciary net position as a percentage of the total VSDP OPEB liability	195.90%	229.01%	181.88%	167.18%	194.74%	186.63%

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

Schedule of Employer Contributions:

Schedule of Virginia State University's Employer Contributions
Virginia Sickness and Disability Program (VSDP)
For the Years Ended June 30, 2018 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	265,439	265,439	-	43,514,590	0.61%
2022	219,440	219,440	-	35,973,770	0.61%
2021	221,539	221,539	-	36,317,869	0.61%
2020	225,841	225,841	-	36,425,968	0.62%
2019	221,434	221,434	-	35,715,161	0.62%
2018	225,186	225,186	-	34,119,091	0.66%

Notes to Required Supplementary Information:

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change

Line of Duty Disability	No change
Discount Rate	No change

F. Department of Human Resources – Pre-Medicare Retirees Healthcare (PMRH)

Schedule of Virginia State University's Total Pre-Medicare Retirees OPEB Liability:

The schedule below is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only five other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Total OPEB Liability	2023*	2022*	2021*	2020*	2019*	2018*
Employer's proportion of the collective total OPEB liability	0.71160%	0.72006%	0.73902%	0.75714%	0.74417%	0.74677%
Employer's proportionate share of the collective total OPEB liability	$ 2,586,189	$ 3,232,304	$ 4,203,725	$ 5,140,080	$ 7,483,712	$ 9,699,722
Employer's covered-employee payroll	$ 47,449,717	$ 42,343,647	$ 44,201,621	$ 42,875,774	$ 42,372,852	$ 40,874,410
Employer's proportionate share of the collective total OPEB liability as a percentage of it's covered-employee payroll	5.45%	7.63%	9.51%	11.99%	17.66%	23.73%

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

Notes to Required Supplementary Information:

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, 2021 valuation based on recent experience:

- Retiree Participation - reduced the rate from 40% to 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2022.

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 13, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia State University

Makola Abdullah
President, Virginia State University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia State University** (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were not audited in accordance with Government Auditing Standards.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1, 4, and 6 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, related to accounting and financial reporting for subscription liabilities and right-to-use subscription assets. Our opinions are not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the University's June 30, 2022, financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated September 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived, except where revised due to the implementation of GASB Statement No. 96, as discussed in Note 1.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 2 through 10; the Schedule of Virginia State University's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 97 through 100; the Schedule of Virginia State University's Share of Net OPEB Liability (Asset), the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 100 through 112; and the Schedule of Virginia State University's Share of Total OPEB Liability and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on page 112. Such information is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the section titled "Management's Responsibility for Reporting and Internal Controls" but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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

GDS/vks

VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
As of June 30, 2023

Dr. Valerie Brown
Rector

Mr. Glenn Sessoms
Vice Rector

Dr. Christine M. Darden
Secretary

Mr. Victor Branch

Mr. Thomas Cosgrove

Dr. Robert Denton, Jr.

Dr. Harold Green, Jr.

Dr. Leonard Haynes, III

Ms. Pamela A. Currey

Ms. Shavonne Gordon

Ms. Michael Flemming

Mr. William Murray

Mr. Jon Moore

Mr. Edward Owens

Mr. Wayne Turnage

Dr. Leonard Githinji, Faculty Representative

Ms. Yania Campbell, Student Representative

VIRGINIA STATE UNIVERSITY ADMINISTRATIVE OFFICERS

As of June 30, 2023

Dr. Makola M. Abdullah
President

Dr. Donald Palm
Provost/Vice President of Academic Affairs

Mr. Kevin Davenport
Vice President for Finance/Chief Financial Officer

Mrs. Tonya S. Hall
Vice President for External Relations

Mrs. Shawri King-Casey
Vice President for Institutional Integrity and Compliance