

JAMES MADISON UNIVERSITY®

AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2021

JAMES MADISON UNIVERSITY

AUDITED FINANCIAL REPORT 2020 – 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Overview

This Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the University's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2021. Comparative numbers, where presented, are for the fiscal year ending June 30, 2020. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

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

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

The following GASB statements of standards became effective in fiscal year 2021: Statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Neither Statement had significant effects upon the University's financial statements for the current year.

Statement of Net Position

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

Net position is classified as follows:

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

- Restricted net position, expendable – The expendable restricted position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- Restricted net position, nonexpendable – Nonexpendable restricted net position consists of endowments and similar type funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.
- Unrestricted net position – Unrestricted net position represents resources used for the University's general operations. They may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, public service and outreach. These resources are derived from student tuition and fees, state appropriations and sales and services of auxiliary enterprises. The auxiliary enterprises are self-supporting entities that provide services for students, faculty and staff.

Statement of Net Position
(In thousands)

	2021	2020	Change	
			Amount	Percent
Current Assets	\$ 279,444	\$ 254,962	\$ 24,482	9.6%
Noncurrent assets				
Capital assets, net	1,367,061	1,351,618	15,443	1.1%
Other noncurrent assets	7,691	15,899	(8,208)	(51.6%)
Total noncurrent assets	1,374,752	1,367,517	7,235	0.5%
Deferred outflow of resources	70,493	60,284	10,209	16.9%
Total Assets and deferred outflow of resources	1,724,689	1,682,763	41,926	2.5%
Current liabilities	112,595	123,494	(10,899)	(8.8%)
Noncurrent liabilities				
Long-term liabilities	455,301	456,053	(752)	(0.2%)
Net pension liability	203,644	174,091	29,553	17.0%
Net OPEB liability	62,785	65,529	(2,744)	(4.2%)
Total Noncurrent liabilities	721,730	695,673	26,057	3.7%
Deferred inflow of resources	33,303	40,613	(7,310)	(18.0%)
Total liabilities and deferred inflow of resources	867,628	859,780	7,848	0.9%
Net position				
Net investment in capital assets	917,147	893,078	24,069	2.7%
Restricted - expendable	8,226	10,651	(2,425)	(22.8%)
Unrestricted	(68,313)	(80,745)	12,432	15.4%
Total net position	\$ 857,060	\$ 822,984	\$ 34,076	4.1%

In 2021, the University's total assets and deferred outflow of resources increased by \$41.9 million. A significant portion related to the \$15.4 million net increase in capital assets. Significant additions to capital assets included the completion of the Atlantic Union Bank Center (\$93.2 million), further additions to the College of Business Learning Complex (\$18.9 million, primarily for the Showker Hall Renovation portion), Darcus Johnson Hall (\$7.3 million), and recognition of capital leased assets related to Foundation Hall (\$16.2 million). These additions are offset by the overall decrease to construction-in-progress across all previously mentioned completed projects (\$91.8 million). The increase in capital assets is further discussed in the next section of this analysis.

The \$24.5 million increase in current assets primarily relates to an increase of \$20.7 million in cash and cash equivalents. This is due to an increase in auxiliary cash of \$14.8 million (primarily related to the receipt of institutional CARES Act funds (\$11.8 million) that mitigated housing and dining refunds made in both 2021 and 2020. Another factor is the Federal CARES Act allowed the University to defer FICA withholdings. The balance held in 2021 is \$9.4 million, up \$7.1 million from 2020. The deferred FICA withholdings are also reflected as a liability. These cash increases are offset by a decrease of \$2.4 million in E&G funds due to decreased unearned revenue from 2021 summer credit hours. 2020's increase in summer credit hours and

increased unearned revenue was a one-time spike due to online only classes. Finally, the increase in current assets can also be attributed to an increase in securities lending cash and cash equivalents of \$3.6 million over the prior year. Securities lending balances reported are provided by the Department of Accounts and represent the University's allocated share of the activity in the General Account of the Commonwealth. Other non-current assets decreased by \$8.2 million, largely due to a \$6.3 million decrease in restricted cash and cash equivalents. This decrease was the result of the final spend-down of remaining bond proceeds held as restricted cash equivalents used for the Atlantic Union Bank Center and the Dukes Dining Hall projects (\$1.8 million) along with the spend down of \$4.5 million restricted cash held for use on the Atlantic Union Bank Center project. Other long-term investments decreased by \$2.3 million as we converted \$1.8 million held in certificates of deposit to money market funds (current cash equivalents) during FY2021. The increase in deferred outflows of resources (\$10.2 million) can be attributed to an increase in deferred outflows related to the State pension plan (\$9.3 million), as provided by the Virginia Retirement System (VRS).

Current liabilities decreased \$10.9 million. The decrease is mostly attributable to a \$11.2 million decrease in accounts payable and accrued expenses. Accounts payable and retainage payable related to capital projects decreased \$11.2 million as large projects such as the Atlantic Union Bank Center, Hartman/Showker Hall, and Darcus Johnson Hall were completed. The current portion of long-term liabilities decreased \$5.1 million. This decrease is attributable to a \$10.7 million decrease in the current portion of revenue bonds as the result of the Virginia College Building Authority's 9(d) debt restructuring and refinancing (see footnote 9 for details). That decrease was offset by a \$4.7 million increase in the current portion of the University's overall FICA deferral and a \$1.0 million increase in the current portion of the supplemental retirement incentive plan liability. Those decreases are offset by an increase of \$3.6 million in securities lending obligations, and an increase of \$1.2 million in unearned revenue.

Non-current liabilities increased by \$26.1 million, primarily due to a \$29.6 million increase in net pension liability related to the University's portion of VRS' unfunded pension liability, and a \$2.7 million decrease in the OPEB liability related to the University's portion of VRS and DHRM's unfunded OPEB liabilities. Long-term liabilities did not change significantly as debt principal payments were offset by the recognition of a capital lease liability for the use of Foundation Hall and the restructuring of 2022 9(d) debt principal to later years. For more detailed debt information, see the Capital Asset and Debt Administration section.

The increase in total assets and deferred outflows of resources along with the smaller increase in total liabilities and deferred inflow of resources is reflected in the \$12.4 million increase of the University's unrestricted net position. Net investment in capital assets increased \$24.1 million, reflecting the University's continued investment in new facilities and equipment supporting the University's missions, as well as prudent management of the University's fiscal resources.

Capital Asset and Debt Administration

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

Depreciable capital asset additions totaled \$161.0 million (excludes land, artwork, and construction-in-progress) in 2021, as compared to \$199.5 million in 2020.

PROJECTS COMPLETED OR ACQUIRED DURING 2020-21 *(in thousands)*

PROJECT	CAPITALIZED COST
Construct Atlantic Union Bank Center	\$ 93,235
Construct Hartman Hall and Showker Hall Renovation	18,851
Darcus Johnson Hall Renovation	7,259
Capital Lease Foundation Hall	16,250
All other capitalized additions	25,431
TOTAL	\$ 161,026

There were no non-depreciable additions for 2021 other than construction in progress. Depreciation expense was \$52.8 million with net asset retirements of \$2.3 million.

Major projects under construction in 2021 totaled \$9.3 million, as compared to \$99.9 million in 2020.

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

PROJECT	AMOUNT
Showker Hall Renovation Equipment	\$ 1,486
Various Maintenance Reserve Projects	2,725
All other projects in progress	5,120
TOTAL	\$ 9,331

The University's total long-term debt decreased to \$441.3 million in 2021 from \$466.7 million in fiscal year 2020. The decrease is the result of debt principal payments made throughout the year on outstanding debt balances. There were no new debt issues in fiscal year 2021, but the University participated in the Virginia College Building Authority's 9(d) debt restructuring and refinancing. This allowed participants to defer principal payments in 2022 and 2023 to the end of each related issue maturity. The University chose to defer 2022 principal on selected projects totaling approximately \$11.3 million.

The University's Board of Visitors approved "Debt Management Guidelines and Procedures" established that the maximum annual debt service costs as a percentage of total operating revenues shall not exceed ten percent for non-revenue producing capital projects. The University's 2021 ratio was seven point six percent, as compared to seven point four percent for 2020.

Overall, unpaid construction commitments decreased from \$36.0 million in 2020 to \$8.8 million in 2021, and other related contractual commitments decreased from \$9.5 million to \$5.4 million, respectively.

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

PROJECT	UNPAID COMMITMENT
Carrier Library Renovation/Expansion	\$ 3,166
Showker Hall Renovation	1,396
Convocation Center Renovation	1,394
All other construction contracts	2,856
TOTAL	\$ 8,812

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

Statement of Revenues, Expenses, and Changes in Net Position

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

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

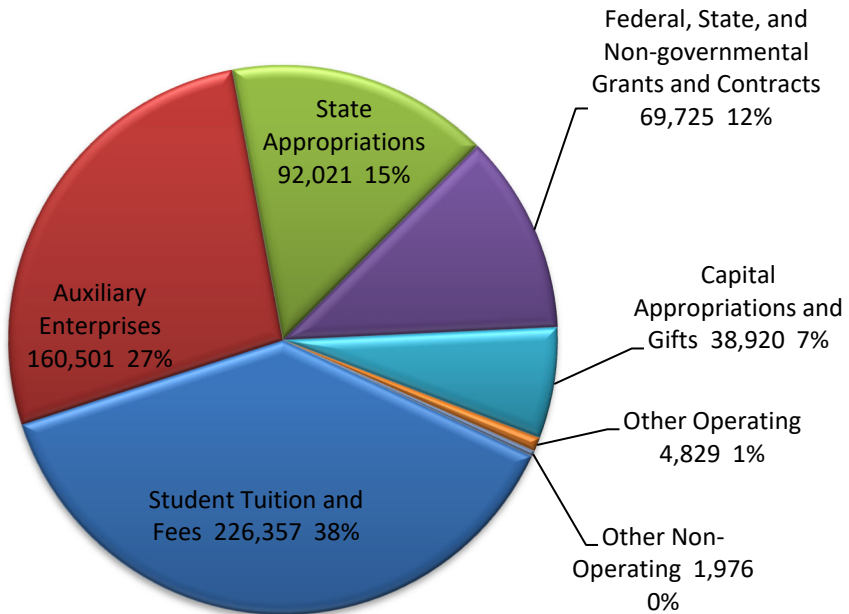
Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts are included in this category, but provide substantial support for paying the University's operating expenses. Therefore, the University, like most public institutions,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

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

	2021	2020	Change	
			Amount	Percent
Operating revenues	\$ 429,150	\$ 448,986	\$ (19,836)	(4.4%)
Operating expenses	542,167	563,622	(21,455)	(3.8%)
Operating gain (loss)	(113,017)	(114,636)	1,619	(1.4%)
Nonoperating revenues (expenses)				
State appropriations	92,021	106,061	(14,040)	(13.2%)
Grants and Contracts	32,262	25,682	6,580	25.6%
Gifts	2	1	1	100.0%
Investment Income	1,974	4,196	(2,222)	(53.0%)
Interest on capital asset related debt	(12,857)	(11,247)	(1,610)	14.3%
Loss on disposal of plant assets	(2,131)	(843)	(1,288)	152.8%
Payments to the Commonwealth	(3,098)	(3,098)	-	0.0%
Net nonoperating revenue (expenses)	108,173	120,752	(12,579)	(10.4%)
Income (loss) before other revenues, expenses, gains, or losses	(4,844)	6,116	(10,960)	(179.2%)
Capital appropriations and contributions	32,104	43,885	(11,781)	(26.8%)
Capital gifts	6,816	5,570	1,246	22.4%
Total other	38,920	49,455	(10,535)	(21.3%)
Increase in net position	34,076	55,571	(21,495)	(38.7%)
Net position - beginning of year	822,984	767,413	55,571	7.2%
Net position - end of year	\$ 857,060	\$ 822,984	\$ 34,076	4.1%

Following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University's activities for the year ended June 30, 2021. As noted above, critical recurring revenue sources such as state and capital appropriations are considered non-operating.

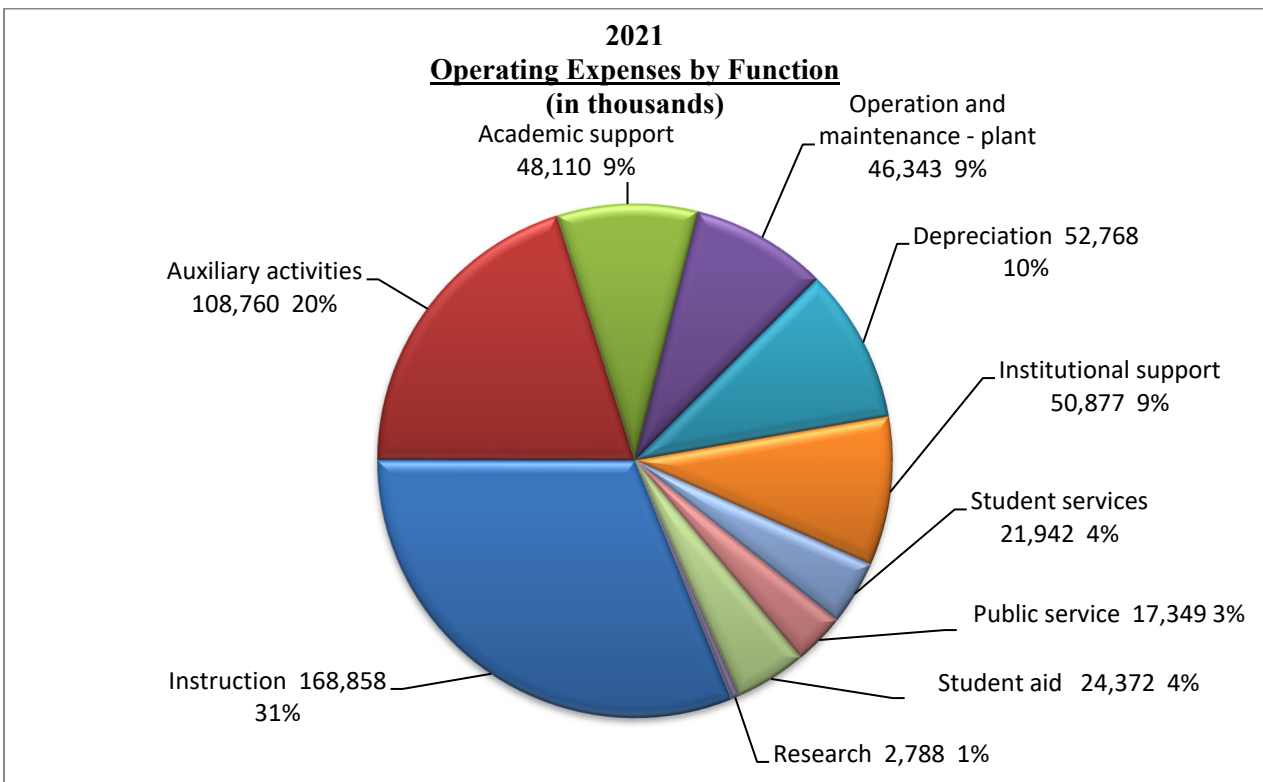
**2021
Revenues by Source
(in thousands)**



	2021	2020	Change	
			Amount	Percent
Operating revenues:				
Student tuition and fees, net	226,357	232,874	\$ (6,517)	(2.8%)
Grants and contracts	37,463	29,752	7,711	25.9%
Auxiliary enterprises, net	160,501	179,852	(19,351)	(10.8%)
Other operating revenues	4,829	6,508	(1,679)	(25.8%)
Total operating revenues	429,150	448,986	(19,836)	(4.4%)
Nonoperating revenues:				
State appropriations	92,021	106,061	(14,040)	(13.2%)
Grants and contracts	32,262	25,682	6,580	25.6%
Other nonoperating revenue	1,976	4,197	(2,221)	(52.9%)
Total nonoperating revenues	126,259	135,940	(9,681)	(7.1%)
Other revenues:				
Capital appropriations and contributions	32,104	43,885	(11,781)	(26.8%)
Capital gifts	6,816	5,570	1,246	22.4%
Total other revenues	38,920	49,455	(10,535)	(21.3%)
Total revenues	594,329	634,381	(40,052)	(6.3%)

Operating revenues, consisting mostly of tuition and fees and auxiliary enterprises, decreased \$19.8 million or four percent from the prior fiscal year. This decrease is significantly attributable to the ongoing impact of the COVID-19 pandemic. As a result of a four week campus closure in Fall 2020 and the delay of the Spring 2021 semester, \$5.9 million in refunds were issued to students for room, board and comprehensive fee. Non-operating revenues, which are comprised mainly of state appropriations and non-operating grants and contracts, decreased \$9.7 million or seven percent. Appropriations before reversions increased by \$9.0 million, but that is offset by an increase in appropriation reversions at year end from \$1.6 million in 2020 to \$24.6 million in 2021. The 2021 reverted balances have been reappropriated in 2022. See Footnote 15 for further details on state appropriations. The increase in non-operating grants and contracts includes an increase of \$5.8 million in Federal CARES Act funding for institutional relief for the COVID-19 pandemic. The student relief portion from the CARES Act funding remained at the same amount as 2020. During fiscal year 2021, plant disposals and the related loss on disposals of plant assets increased by \$1.3 million. This was mostly due to assets replaced during the Showker Hall renovation and the replacement of the Bridgeforth Stadium scoreboard.

The following graphical illustration presents total operating expenses for fiscal year 2021 by function.



	2021	2020	Change	
			Amount	Percent
Operating expenses:				
Instruction	168,858	178,383	\$ (9,525)	(5.3%)
Research	2,788	2,847	(59)	(2.1%)
Public service	17,349	16,561	788	4.8%
Academic support	48,110	50,721	(2,611)	(5.1%)
Student services	21,942	22,003	(61)	(0.3%)
Institutional support	50,877	51,008	(131)	(0.3%)
Operation and maintenance - plant	46,343	47,323	(980)	(2.1%)
Depreciation	52,768	48,905	3,863	7.9%
Student aid	24,372	22,637	1,735	7.7%
Auxiliary activities	108,760	123,234	(14,474)	(11.7%)
Total operating expenses	542,167	563,622	(21,455)	(3.8%)

Total 2021 operating expenses decreased \$21.5 million, or four percent. Compensation expenses, consisting of the natural expense classifications salaries, wages, and fringe benefits, comprise the largest University expense. Compensation expenses comprised 59% of the University's total operating expenses in 2021 and 59% in 2020. Compensation expense decreased by approximately \$10.3 million, or three percent, which was largely due to the hiring freeze implemented as a result of the pandemic. Auxiliary expenses not related to compensation decreased by \$12.1 million, or fifteen percent. Most of these decreases incurred in Dining Services as a result of modifications in the contractual agreement with Aramark for dining services and Athletics with reduced game schedules, limits on attendance, and fewer special projects. The University took proactive budgetary steps early in 2021 to reduce expenses. These steps included across the board budget reductions, the vacancy and hiring freeze, limits on faculty and staff travel and training, and curtailment of most repair and maintenance special projects. Student aid in both 2021 and 2020 include the disbursement of Federal CARES Act funds to students (\$6.0 million).

Net non-operating revenue and expenses totaled \$108.2 million, a decrease of \$12.6 million from the prior year. This decrease is attributable to the decreases in non-operating revenues discussed in the previous section.

Statement of Cash Flows

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

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

cash flows related to purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash used by operating activities to the operating loss reflected on the SRECNP.

Statement of Cash Flows
(in thousands)

	2021	2020	Change	
			Amount	Percent
Cash provided (used) by:				
Operating activities	\$ (45,443)	\$ (53,550)	\$ 8,107	(15.1%)
Non-capital financing activities	120,920	127,710	(6,790)	(5.3%)
Capital financing activities	(64,400)	(118,151)	53,751	(45.5%)
Investing activities	3,352	3,748	(396)	(10.6%)
Net increase (decrease) in cash	14,429	(40,243)	54,672	(135.9%)
Cash - beginning of the year	220,513	260,756	(40,243)	(15.4%)
Cash - end of the year	\$ 234,942	\$ 220,513	\$ 14,429	6.5%

Major sources of cash from operating activities include student tuition and fees (\$227.6 million in 2021 and \$233.2 million in 2020), auxiliary enterprises receipts (\$161.3 million in 2021 and \$180.2 million in 2020), and grants and contracts (\$36.4 million in 2021 and \$30.4 million in 2020). Major uses of cash include payments for salaries, wages, and fringe benefits (\$307.7 million in 2021 and \$318.1 million in 2020), payments for supplies, services, and utilities (\$110.1 million in 2021 and \$132.9 million in 2020), and payments for non-capitalized plant improvements and equipment (\$33.6 million in 2021 and \$29.0 million in 2020).

Cash flows from non-capital financing activities include state appropriations for the University's educational and general programs and financial aid of \$92.0 million and \$106.0 million in 2021 and 2020, respectively. The cash flows from capital financing activities section deals with cash used for the acquisition and construction of capital and related items. Primary sources of cash from capital financing activities in 2021 and 2020 include capital appropriations and contributions (\$32.8 million in 2021 and \$42.2 million in 2020). Significant cash outflows include purchases and construction of capital assets (\$64.1 million in 2021 and \$124.5 million in 2020) and repayment of principal and interest on capital related debt (\$40.0 million in 2021 and \$41.5 million in 2020).

Economic Outlook

As part of the Commonwealth of Virginia's statewide system of higher education, the University's economic outlook is closely tied to that of the Commonwealth. Economic factors related to the Commonwealth can be found in the Commonwealth's Annual Comprehensive Financial Report (ACFR). In August 2021, the Governor in his address to the Senate and House Finance and Appropriations Committees highlighted that the Commonwealth finished fiscal year 2021 with a \$2.6 billion surplus and the state's strong economic outlook. In September 2021, the Governor announced the strong economic recovery is continuing as general fund revenues are up 18.9 percent from the previous year and five point two percent fiscal year-to-date. However, as a result of the COVID-19 variants, instability and uncertainty continues to exist in the national and global

economies. In 2022, the University will receive another \$15.9 million in Federal CARES Act funds to defray lost revenue and ongoing pandemic related expenses.

As a public institution, the University receives significant Commonwealth support from operating and capital appropriations. In 2021, state operating appropriations covered 24 percent of operating expenses, excluding auxiliary activities and depreciation. The \$24.6 million reverted in 2021 has been re-appropriated in 2022. During the 2021 legislative session, the Governor announced additional general fund resources from a mid-session revenue reforecast. The revised budget approved in April 2021 restored and enhanced actions taken in the original 2020 legislative session for 2021 and 2022 that put the University in a solid financial position. Those actions had been put on hold as the Governor and General Assembly addressed the pandemic's financial implications.

The University remains financially well-positioned to adjust as circumstances evolve over the remainder of the current fiscal year. The University generated an overall increase in net position during 2021. This indicates the University's sound and prudent uses of financial resources amidst the pandemic and its ability to maintain a favorable financial position.

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FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION

As of June 30, 2021 (with comparative information as of June 30, 2020)

	2021		2020	
	James Madison University	Component Unit	James Madison University	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 234,713,268	\$ 7,044,603	\$ 214,012,005	\$ 8,564,906
Securities lending - Cash and cash equivalents (Note 2)	15,232,845	-	11,589,454	-
Short-term investments (Note 2)	5,555,867	-	4,461,657	-
Accounts receivable (Net of allowance for doubtful accounts of \$1,131,958 and \$1,231,298 for 2021 and 2020 respectively) (Note 3)	8,709,047	228,259	8,767,241	46,597
Contributions receivable (Net of allowance for doubtful contributions of \$225,506 and \$129,075 for 2021 and 2020, respectively) (Note 3)	-	4,188,978	-	3,628,483
Due from the Commonwealth (Note 4)	4,407,426	-	5,045,914	-
Prepaid expenses	9,352,212	79,046	9,025,647	110,012
Prepaid expenses to component unit	360,409	-	997,087	-
Inventory	949,352	-	857,126	-
Notes receivable (Net of allowance for doubtful accounts of \$35,782 and \$44,553 for 2021 and 2020, respectively)	163,586	-	206,078	-
Total current assets	279,444,012	11,540,886	254,962,209	12,349,998
Non-current assets:				
Restricted cash and cash equivalents (Note 2)	228,552	-	6,501,365	-
Endowment investments (Note 2)	-	87,554,667	-	81,516,981
Other long-term investments (Note 2)	1,061,762	102,747,066	3,410,696	64,291,697
Land held for future use	-	6,264,640	-	6,264,640
Contributions receivable (Net of allowance for doubtful contributions of \$555,838 and \$211,158 for 2021 and 2020 respectively) (Note 3)	-	7,638,775	-	9,249,469
Lease receivable from James Madison University	-	8,150,516	-	-
Prepaid expenses	357,007	-	352,441	-
Notes receivable (Net of allowance for doubtful accounts of \$148,662 and \$196,275 for 2021 and 2020, respectively)	679,639	10,777,820	907,854	11,238,916
Capital assets, net: (Note 5)				
Non-depreciable	95,558,742	381,191	186,105,909	8,843,418
Depreciable	1,271,502,619	2,274,048	1,165,512,367	2,748,446
OPEB asset (Note 12)	5,364,006	-	4,726,638	-
Other assets	-	2,145	-	2,145
Total non-current assets	1,374,752,327	225,790,868	1,367,517,270	184,155,712
DEFERRED OUTFLOW OF RESOURCES				
Related to debt refundings (Note 9)	7,105,788	-	7,803,000	-
Related to pensions (Note 11)	49,254,111	-	39,966,977	-
Related to OPEB (Note 12)	14,132,701	-	12,514,191	-
Total deferred outflow of resources	70,492,600	-	60,284,168	-
Total assets and deferred outflow of resources	\$ 1,724,688,939	\$ 237,331,754	\$ 1,682,763,647	\$ 196,505,710

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION

As of June 30, 2021 (with comparative information as of June 30, 2020)

	2021		2020	
	James Madison University	Component Unit	James Madison University	Component Unit
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses (Note 6)	\$ 51,597,089	\$ 170,469	\$ 62,762,300	\$ 1,033,161
Unearned revenue	15,087,947	979,486	13,867,182	761,095
Unearned revenue from James Madison University	-	360,409	-	997,087
Obligations under securities lending	15,232,845	-	11,589,454	-
Deposits held in custody for others	572,376	-	392,573	-
Long-term liabilities - current portion (Note 7)	28,732,746	1,070,144	33,833,699	939,061
OPEB liability - current portion (Note 12)	1,372,437	-	1,048,596	-
Total current liabilities	112,595,440	2,580,508	123,493,804	3,730,404
Non-current liabilities:				
Long-term liabilities (Note 7)	440,415,931	19,710,936	456,053,530	19,549,688
Capital lease payable to component unit	14,885,066	-	-	-
Net pension liability (Note 11)	203,644,384	-	174,090,525	-
OPEB liability (Note 12)	62,785,208	-	65,528,904	-
Total non-current liabilities	721,730,589	19,710,936	695,672,959	19,549,688
DEFERRED INFLOW OF RESOURCES				
Related to debt refundings (Note 9)	819,905	-	38,410	-
Related to pensions (Note 11)	2,131,300	-	8,960,239	-
Related to OPEB (Note 12)	30,352,194	-	31,614,387	-
Total deferred inflow of resources	33,303,399	-	40,613,036	-
Total liabilities and deferred inflow of resources	867,629,428	22,291,444	859,779,799	23,280,092
NET POSITION				
Net investment in capital assets	917,146,246	1,454,128	893,077,902	3,002,150
Restricted for:				
Non-expendable:				
Scholarships and fellowships	-	54,860,023	-	51,243,172
Research and public service	-	1,903,185	-	1,247,047
Other	-	34,278,555	-	33,345,206
Expendable:				
Scholarships and fellowships	-	40,319,749	-	20,697,023
Research and public service	3,086,369	2,370,860	2,621,946	1,561,832
Debt service	182,875	-	141,807	-
Capital projects	(517,918)	6,232,891	3,016,017	9,712,266
Loans	110,718	-	144,682	-
Other	5,364,006	43,052,054	4,726,638	30,311,298
Unrestricted	(68,312,785)	30,568,865	(80,745,144)	22,105,624
Total net position	\$ 857,059,511	\$ 215,040,310	\$ 822,983,848	\$ 173,225,618

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

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JAMES MADISON UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2021 (with comparative information for the year ended June 30, 2020)

	2021		2020	
	James Madison University	Component Unit	James Madison University	Component Unit
Operating revenues:				
Student tuition and fees (Net of scholarship allowances of \$25,089,474 and \$22,335,989 for 2021 and 2020, respectively)	\$ 226,357,285	\$ -	\$ 232,874,151	\$ -
Gifts and contributions	-	14,557,347	-	11,964,200
Federal grants and contracts	20,677,672	-	14,497,711	-
State grants and contracts	10,458,950	-	9,124,583	-
Non-governmental grants and contracts	6,325,762	-	6,129,531	-
Auxiliary enterprises (Net of scholarship allowances of \$15,567,072 and \$14,706,637 for 2021 and 2020, respectively) (Note 13)	160,500,828	-	179,852,226	-
Sales and Services of Education and General Activities	1,075,700	-	2,805,433	-
Other operating revenues	3,753,259	673,859	3,702,165	727,726
Total operating revenues	429,149,456	15,231,206	448,985,800	12,691,926
Operating expenses (Note 14):				
Instruction	168,857,422	371,345	178,382,743	508,344
Research	2,788,230	21,892	2,846,557	36,050
Public service	17,348,930	119,892	16,560,806	144,997
Academic support	48,110,360	938,131	50,721,012	1,118,613
Student services	21,942,290	44,191	22,003,262	51,585
Institutional support	50,876,696	7,717,057	51,008,364	8,130,739
Operation and maintenance - plant	46,343,122	5,520,452	47,323,523	4,677,922
Depreciation	52,768,363	91,692	48,904,659	102,046
Student aid	24,372,174	5,046,808	22,637,533	3,928,390
Auxiliary activities (Note 13)	108,759,602	848,219	123,233,603	1,158,318
Total operating expenses	542,167,189	20,719,679	563,622,062	19,857,004
Operating loss	(113,017,733)	(5,488,473)	(114,636,262)	(7,165,078)
Non-operating revenues/(expenses):				
State appropriations (Note 15)	92,021,184	-	106,061,649	-
Grants and contracts (Note 1 S.)	32,262,262	-	25,682,315	-
Gifts	2,410	-	1,040	-
Investment income (Net of investment expense of \$19,852 and \$157,026 for the University and \$377,846 and \$374,188 for the Foundation for 2021 and 2020, respectively)	1,974,007	40,460,203	4,195,660	6,353,986
In-Kind support from James Madison University	-	4,300,828	-	4,922,470
Interest on capital asset - related debt	(12,856,646)	(770,353)	(11,247,289)	(551,217)
Gain(Loss) on disposal of plant assets	(2,131,440)	-	(843,145)	-
Payment to the Commonwealth	(3,098,291)	-	(3,098,291)	-
Net non-operating revenues/(expenses)	108,173,486	43,990,678	120,751,939	10,725,239
Income/(loss) before other revenues, expenses, gains or losses	(4,844,247)	38,502,205	6,115,677	3,560,161
Capital appropriations and contributions (Note 16)	32,103,660	-	43,885,213	-
Capital gifts	6,816,250	-	5,569,297	-
Additions to permanent endowments	-	3,312,487	-	3,286,393
Net other revenues	38,919,910	3,312,487	49,454,510	3,286,393
Increase in net position	34,075,663	41,814,692	55,570,187	6,846,554
Net position - beginning of year	822,983,848	173,225,618	767,413,661	166,379,064
Net position - end of year	\$ 857,059,511	\$ 215,040,310	\$ 822,983,848	\$ 173,225,618

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

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

For the year ended June 30, 2021 (with comparative information for the year ended June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Student tuition and fees	\$ 227,554,443	\$ 233,183,715
Grants and contracts	36,351,392	30,361,089
Auxiliary enterprises	161,289,234	180,172,635
Other receipts	5,233,346	5,748,239
Payments for compensation and benefits	(307,738,996)	(318,104,382)
Payments for services, supplies and utilities	(110,054,960)	(132,907,433)
Payments for scholarships and fellowships	(24,372,174)	(22,637,533)
Payments for non-capitalized plant improvements and equipment	(33,628,533)	(28,953,510)
Refunds to the federal government (Perkins loan contributions)	(361,930)	(769,829)
Collections of loans from students	285,608	357,451
Net cash used by operating activities	(45,442,570)	(53,549,558)
Cash flows from noncapital financing activities:		
State appropriations	92,007,664	106,024,389
Nonoperating grants and contracts	31,828,337	25,343,892
Payment to the Commonwealth	(3,098,291)	(3,098,291)
Loans issued to students and employees	(4,430)	(3,519)
Collections of loans from students and employees	4,430	4,369
Gifts and grants for other than capital purposes	2,410	1,040
Federal direct lending program receipts	94,842,064	100,969,984
Federal direct lending program disbursements	(94,842,064)	(100,969,984)
Custodial receipts	3,496,046	4,443,416
Custodial payments	(3,316,242)	(5,005,478)
Net cash provided by noncapital financing activities	120,919,924	127,709,818
Cash flows from capital and related financing activities:		
Capital appropriations and contributions	32,755,668	42,224,813
Proceeds from sale of capital assets	122,980	102,065
Capital gifts	6,770,000	5,500,000
Purchase of capital assets	(64,069,427)	(124,497,846)
Principal paid on capital debt, leases, and installments	(23,519,017)	(22,835,896)
Interest paid on capital debt, leases, and installments	(16,460,606)	(18,644,524)
Net cash used by capital and related financing activities	(64,400,402)	(118,151,388)
Cash flows from investing activities:		
Interest on investments	115,131	934,931
Interest on cash management pools	1,761,236	3,881,167
Proceeds from sale of investments	1,851,615	-
Purchase of investments	(376,483)	(1,067,420)
Net cash provided by investing activities	3,351,499	3,748,678
Net increase (decrease) in cash	14,428,451	(40,242,450)
Cash and cash equivalents - beginning of the year	220,513,370	260,755,820
Cash and cash equivalents - end of the year	\$ 234,941,821	\$ 220,513,370

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

For the year ended June 30, 2021 (with comparative information for the year ended June 30, 2020)

	2021	2020
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (113,017,733)	\$ (114,636,262)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	52,768,363	48,904,659
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Receivables, net	58,194	(2,677,096)
Prepaid expenses	305,547	(92,545)
Inventory	(92,226)	64,557
Notes receivable, net	270,707	334,764
OPEB asset	(637,368)	475,362
Deferred outflows of resources - pension and OPEB	(10,905,644)	(21,982,661)
Accounts payable and accrued expenses	7,953,463	4,354,390
Unearned revenue	1,220,765	3,156,975
Net Pension liability	29,553,859	30,236,525
OPEB liability	(2,419,855)	(8,493,139)
Accrued compensated absences	(235,471)	1,107,613
Accrued retirement plan	(1,832,246)	1,900,539
Federal loan programs contributions refundable	(341,793)	(712,029)
Deferred inflows of resources - pension and OPEB	(8,091,132)	4,508,790
Net cash used by operating activities	\$ (45,442,570)	\$ (53,549,558)

NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL
AND RELATED FINANCING TRANSACTIONS:

Gift of capital assets	\$ 28,000	\$ 7,495
Amortization of bond premium/discount and gain/loss on debt refinancing	\$ (2,530,458)	\$ (2,677,501)
Refinancing accrued interest and issue costs	\$ 1,353,593	\$ -
Capitalization of interest revenue and expense, net	\$ (2,090,749)	\$ (4,406,953)
Change in fair value of investments recognized as a component of interest income	\$ 150,672	\$ 54,865
Loss on disposal of capital assets	\$ (2,254,420)	\$ (945,210)

During 2021, the Virginia College Building Authority, on behalf of the University, issued \$57,985,000 of Revenue Refunding Bonds, Series 2021AB. The proceeds were used for the defeasance of \$51,035,000 of outstanding revenue bond principal and related accrued interest.

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

JAMES MADISON UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
As of June 30, 2021 (with comparative information as of June 30, 2020)

	2021	2020
	Custodial Funds -	Custodial Funds -
	Other	Other
ASSETS		
Cash and cash equivalents (Note 2)	\$ 327,345	\$ 322,196
Other short-term investments (Note 2)	463,175	457,972
Total assets	790,520	780,168
LIABILITIES		
Unearned revenue*	20,600	10,384
Due to the University*	15,000	15,000
Total liabilities	35,600	25,384
NET POSITION		
Restricted for:		
Organizations and other governments*	754,920	754,784
Total fiduciary net position, as restated*	\$ 754,920	\$ 754,784

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

*Certain prior year amounts were restated to agree to current year classifications

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

JAMES MADISON UNIVERSITY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2021 (with comparative information for the year ended June 30, 2020)

	2021	2020
	Custodial Funds -	Custodial Funds -
	Other	Other
Additions:		
Interest	\$ 5,249	\$ 7,972
Conference registrations	2,750	211,841
Other	124,795	60,708
Total additions	132,794	280,521
Deductions:		
Food services	-	104,923
Building and equipment rentals	10,371	29,724
Other*	122,287	70,681
Total deductions	132,658	205,328
Net increase in fiduciary net position*	136	75,193
Net position - beginning of year	754,784	679,591
Net position - end of year, as restated*	\$ 754,920	\$ 754,784

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

*Certain prior year amounts were restated to agree to current year classifications.

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

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NOTES TO FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

During the year ended June 30, 2021, the Foundation distributed \$15,430,495 to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by writing the Chief Financial Officer, JMU Foundation, Inc., MSC 8501, Harrisonburg, Virginia 22807.

B. Financial Statement Presentation

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

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

The following GASB statements of standards became effective in fiscal year 2021: Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Neither of these Statements had a significant effect upon the University's financial statements for the current year.

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

C. Basis of Accounting

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

D. Cash Equivalents and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

E. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, and amounts due for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state and local governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts.

F. Prepaid Expenses

The University has recorded certain expenses for future fiscal years that were paid in advance as of June 30, 2021. Payments of expenses that extend beyond fiscal year 2022 are classified as a non-current asset. Prepaid expenses consist primarily of information technology maintenance contracts, property leases, and insurance.

G. Inventories

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

H. Capital Assets

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

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

Construction period interest cost in excess of earnings associated with related debt proceeds is capitalized as a component of the final asset. The University incurred and capitalized net interest expense related to the construction of capital assets totaling \$2,090,749 for this fiscal year.

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

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

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

I. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other non-current

assets are classified as non-current assets in the Statement of Net Position. Assets that will be used to liquidate current liabilities, including capital project liabilities that are expected to be paid within one year, are classified as current assets.

J. Unearned Revenue

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

K. Deposits Held in Custody for Others

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

L. Long-term Debt, Debt Issue Costs, and Capital Leases

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

Capital leases include capital lease obligations greater than one year.

M. Accrued Compensated Absences

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

N. Pensions

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

O. Other Post-Employment Benefits

VRS: Group Life Insurance

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

VRS: State Employee Health Insurance Credit Program

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

VRS: Disability Insurance Program

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

VRS: Line of Duty Act Program

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

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

Virginia DHRM: Pre-Medicare Retiree Healthcare Plan

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

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

P. Federal Financial Assistance Programs

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

Q. Deferred Inflows and Outflows of Resources

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

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

R. Net Position

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

S. Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions as defined by GASB Statement No. 9 and GASB Statement No. 34. The University relies on and budgets these revenues for basic operational support of the institutional mission. Non-operating revenues include state appropriations, investment and interest income, and grants and contracts. Prior to 2021, the line item “non-operating grants and contracts” primarily consisted of Federal Pell grant receipts. For 2021, “non-operating grants and contracts” include Pell grants and \$17,880,192 for Federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) Higher Education Emergency Relief Fund (HEERF II) funding. The HEERF II funding consisted of two portions. The first portion of \$6,040,329 was for direct emergency aid to students. The University fully disbursed that aid and the related expense was reported on the line item “operating expenses student aid.” The second portion of \$11,839,863 was for institutional aid, and those funds were used to reimburse the University for refunds made to students for housing, dining, and parking services that could not be provided due to the Coronavirus pandemic.

T. Scholarship Discounts and Allowances

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

U. Commonwealth Equipment and Capital Project Reimbursement Programs

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2021, funding has been provided to the University from two programs managed by the Virginia College Building Authority (VCBA): 21st Century and Equipment Trust Fund. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The Statement of Net Position line item “Due from the Commonwealth” includes pending reimbursements at year-end from these programs, as further described in Note 4. The Statement of Revenue, Expenses, and Changes in Net Position line item “Capital appropriations

and contributions” includes reimbursements during the year for the acquisition of equipment and facilities under these programs, as further described in Note 16.

V. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the University’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University’s cash, cash equivalents and investments as of June 30, 2021. The following risk disclosures are required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*:

- Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investment or collateral securities at are in the possession of an outside party. The University had no category 3 deposits or investments for 2021.
- Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This statement requires the disclosure of the credit quality ratings on any investments subject to credit risk.
- Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer. This statement requires disclosure of investments with any one issuer with more than five percent of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University places no limit on the amount that may be invested in any one issuer. The following issuer holds more than five percent of the University’s investments as of June 30, 2021: United Bank (19.23%).
- Interest Rate Risk – The risk that interest rate changes will adversely affect the fair value of an investment. This statement requires disclosure of maturities for any investments subject to interest rate risk. The University does not have an interest rate risk policy and does not have investments or deposits that are sensitive to changes in interest rates as of June 30, 2021.

- Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had foreign deposits of \$1,732,605 in 2021, consisting of \$1,403,673 in Euros, and \$328,932 in Great Britain Pounds Sterling. The University does not have a foreign currency risk policy.

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Except for cash held in foreign banks, cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. These amounts are insured in accordance with the banking regulations of the respective countries where the funds are maintained. In accordance with the GASB Statement No. 9's definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, cash deposits, including certificates of deposits and temporary investments with original maturities of 90 days or less, and cash equivalents under the state non-arbitrage program (SNAP®).

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.

B. Investments

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

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

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that University has the ability to access.
- Level 2 - Observable inputs other than quoted prices included in Level 1 that are not observable for the asset or liability either directly or indirectly. These inputs

may include quoted prices for the identical instrument on an inactive market, and/or prices for similar instruments in inactive markets.

- Level 3 - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the University's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

For purposes of determining fair value of investments as of June 30, 2021, the University utilizes Level 1 and Level 2 inputs. Sources of these inputs may include observable price information, and/or quotations received from market makers, brokers, dealers and/or counterparties (when available and considered reliable) provided by independent pricing services or derived from market data.

Cash, cash equivalents, and investments consisted of the following at June 30, 2021:

		GASB 72 Fair Value Measurement					
	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	1-5 Years	Not Applicable to Fair Value Measurement	Level 1	Level 2
Cash:							
Cash with the Treasurer of Virginia		\$ 190,780,520	\$ -	\$ -	\$ 190,780,520	\$ -	\$ -
Cash on hand and deposits with financial institutions*		37,771,723	-	-	37,771,723	-	-
Total Cash		228,552,243	-	-	228,552,243	-	-
Cash Equivalents:							
Money market accounts with financial institutions:							
Bank of the James	N/A	1,552,430	1,552,430	-	1,552,430	-	-
United Bank	N/A	525,039	525,039	-	525,039	-	-
Atlantic Union Bank	N/A	4,456,578	4,456,578	-	4,456,578	-	-
Treasurer of Virginia (Securities Lending)	N/A	15,232,845	15,232,845	-	15,232,845	-	-
Treasurer of Virginia (STIF)	N/A	54,596	54,596	-	54,596	-	-
State Non-Arbitrage Program (SNAP)	AAAm	128,279	128,279	-	128,279	-	-
Total Cash Equivalents		21,949,767	21,949,767	-	21,949,767	-	-
Total Cash and Cash Equivalents		250,502,010	21,949,767	-	250,502,010	-	-
Investments not with the Treasurer of Virginia:							
Certificates of Deposit - United Bank*	N/A	1,361,803	1,361,803	-	1,361,803	-	-
Wells Fargo Advisors Money Market	AAAm	1,018,564	1,018,564	-	1,018,564	-	-
Mutual Funds:							
Washington Mutual	N/A	683,075	683,075	-	-	683,075	-
Wells Fargo Advisors	AAAm	233,607	233,607	-	-	233,607	-
Income Fund of America	Various	77,093	77,093	-	-	77,093	-
Brokered Certificates of Deposit - Loomis	Various	3,706,662	2,644,900	1,061,762	1,962,955	-	1,743,707
Total Investments		7,080,804	6,019,042	1,061,762	4,343,322	993,775	1,743,707
Total Cash, Cash Equivalents and Investments at Fair Value*		\$ 257,582,814	\$ 27,968,809	\$ 1,061,762	\$ 254,845,332	\$ 993,775	\$ 1,743,707

*Includes \$790,520 in 2021 that is reported as custodial fund cash, cash equivalents, and investments in the Statement of Fiduciary Net Position.

C. James Madison University Foundation Cash and Investments

The following information is provided with respect to the Foundation's cash, cash equivalents and investments at June 30, 2021. The Foundation considers cash in demand deposit accounts and short-term certificates of deposit to be cash equivalents. The balances in these accounts are subject to electronic transfer for investment purposes and at times exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including

realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net position unless the income or loss is restricted by donor or law.

The Investment Committee of the Foundation's Board of Directors establishes the investment policies, objectives, and guidelines. The major portions of the investments are maintained in a portfolio managed by the Foundations' investment advisors. As prescribed by FASB ASC 820, investments are placed into one of three categories based on the inputs used in valuation techniques. As of June 30, 2021 the foundation held investments totaling \$56,982,358 and \$3,661,812 in categories 1 and 2, respectively. Life insurance policies are not categorized as to credit risk. The Foundation's investments by type of security are as follows:

	Fair Value	Cost
Cash and cash equivalents	\$ 17,616,210	\$ 17,616,159
Certificate of deposit	424,012	422,741
US treasury securities and municipal bonds	1,639,102	1,640,288
Corporate debt securities	3,220,184	3,187,440
Common stock	423,492	171,183
Mutual funds	36,919,546	29,154,441
Privately managed investment pools	129,657,563	73,902,508
Life insurance policies	401,624	-
Total	<u>\$ 190,301,733</u>	<u>\$ 126,094,760</u>

D. Securities Lending Transactions

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

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

3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2021:

Student tuition and fees	\$ 3,295,160
Auxiliary enterprises	1,389,026
Federal, state, and non-governmental grants and contracts	4,623,257
Other activities	533,562
Total	<u>9,841,005</u>
Less: allowance for doubtful accounts	<u>1,131,958</u>
Net accounts receivable	<u><u>\$ 8,709,047</u></u>

The Foundation's contributions receivable consisted of the following at June 30, 2021:

Due in less than one year	\$ 4,414,484
Due between one and five years	7,258,227
Due in more than five years	1,322,653
Total	<u>12,995,364</u>
Less: present value discount (1% - 6%)	<u>386,267</u>
Less: allowance for doubtful accounts	<u>781,344</u>
Net contributions receivable	<u><u>\$ 11,827,753</u></u>

4. DUE FROM THE COMMONWEALTH

Due from the Commonwealth consisted of the following at June 30, 2021:

Treasury programs reimbursement due:	
Equipment Trust Fund	\$ 2,307,207
21st Century	2,038,552
Appropriations available - Financial Aid	61,667
Total	<u><u>\$ 4,407,426</u></u>

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2021 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 83,840,422	\$ -	\$ -	\$ 83,840,422
Inexhaustible artwork and historical treasures	2,387,348	-	-	2,387,348
Construction-in-progress	99,878,139	45,011,146	135,558,313	9,330,972
Total non-depreciable capital assets	186,105,909	45,011,146	135,558,313	95,558,742
Depreciable capital assets:				
Buildings	1,386,229,871	127,882,732	2,548,059	1,511,564,544
Buildings - Capital Lease	-	16,249,955	-	16,249,955
Infrastructure	112,382,848	1,969,872	185,467	114,167,253
Computer Software	13,905,968	395,605	599,071	13,702,502
Equipment	100,106,982	11,301,627	1,163,966	110,244,643
Other improvements	64,012,898	687,077	4,473,301	60,226,674
Library materials	61,058,533	2,538,668	241,688	63,355,513
Total depreciable capital assets	1,737,697,100	161,025,536	9,211,552	1,889,511,084
Less accumulated depreciation for:				
Buildings	362,023,881	34,370,234	1,882,944	394,511,171
Buildings - Capital Lease	-	419,639	-	419,639
Infrastructure	55,454,822	4,470,237	179,797	59,745,262
Computer Software	12,230,949	632,828	599,071	12,264,706
Equipment	60,039,221	6,894,196	1,055,712	65,877,705
Other Improvements	29,808,495	3,150,769	2,985,419	29,973,845
Library materials	52,627,365	2,830,460	241,688	55,216,137
Total accumulated depreciation	572,184,733	52,768,363	6,944,631	618,008,465
Depreciable capital assets, net	1,165,512,367	108,257,173	2,266,921	1,271,502,619
Total capital assets, net	\$ 1,351,618,276	\$ 153,268,319	\$ 137,825,234	\$ 1,367,061,361

The Foundation's net capital assets consist of \$2,554,648 in property and equipment, and \$100,591 in collections of historical artifacts for the year ending June 30, 2021.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2021:

Employee salaries, wages, and fringe benefits payable	\$ 38,739,445
Vendors and suppliers accounts payable	2,726,817
Employee benefit withholdings and WTA (primarily VRS)	2,780,951
Capital projects accounts and retainage payable	3,514,968
Accrued interest payable on bond debt	3,834,908
Total accounts payable and accrued expenses	<u>\$ 51,597,089</u>

7. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 8), accrued supplemental retirement incentive plan (further described in Note 10), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2021 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Long-term debt:						
Revenue bonds	\$ 275,585,000	\$ 57,985,000	\$ 64,290,000	269,280,000	\$ 2,590,000	\$ 266,690,000
General obligation bonds	154,057,037	-	9,522,710	144,534,327	9,526,966	135,007,361
Bond premium	37,107,177	221,090	9,826,662	27,501,605	2,913,433	24,588,172
Total long-term debt	<u>466,749,214</u>	<u>58,206,090</u>	<u>83,639,372</u>	<u>441,315,932</u>	<u>15,030,399</u>	<u>426,285,533</u>
Supplemental retirement incentive plan	10,665,129	970,755	2,803,001	8,832,883	3,032,375	5,800,508
Accrued compensated absences	8,754,887	8,453,036	8,688,507	8,519,416	5,960,675	2,558,741
Capital lease obligation	-	16,249,955	1,364,889	14,885,066	-	14,885,066
Cares Act FICA deferral	2,314,354	7,104,240	-	9,418,594	4,709,297	4,709,297
Federal loan program contributions	<u>1,403,645</u>	<u>20,137</u>	<u>361,930</u>	<u>1,061,852</u>	<u>-</u>	<u>1,061,852</u>
Total long-term liabilities	<u>\$ 489,887,229</u>	<u>\$ 91,004,213</u>	<u>\$ 96,857,699</u>	<u>\$ 484,033,743</u>	<u>\$ 28,732,746</u>	<u>\$ 455,300,997</u>

8. LONG-TERM DEBT

A. Bonds Payable

The University has issued two categories of bonds pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(d) bonds are revenue bonds, which are limited

obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue also secures these notes.

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

Description	Interest Rates (%)	Fiscal Year Maturity	2021
Revenue bonds:			
Multipurpose Recreation Fields, Series 2015B	3.00 – 5.00	2029	3,150,000
Multipurpose Recreation Fields, Series 2021B	1.33	2030	385,000
Softball/Baseball Complex, Series 2015B	3.00 – 5.00	2029	2,985,000
Softball/Baseball Complex, Series 2021B	1.33	2030	375,000
Renov/Expand Athletics/Recreation 2016A	3.00 – 5.00	2030	14,225,000
Renov/Expand Athletics/Recreation 2021B	1.53	2031	1,540,000
Renov/Expand Athletics/Recreation 2010A	4.35 – 5.50	2031	5,175,000
Renov/Expand Athletics/Recreation 2021A	3.00	2032	435,000
Renov/Expand Bridgeforth Stadium 2016A	3.00 – 5.00	2030	22,285,000
Renov/Expand Bridgeforth Stadium 2021B	1.53	2031	2,420,000
Grace St. acquisition, Series 2010A	4.35 – 5.50	2031	4,665,000
Grace St. acquisition, Series 2021A	3.00	2032	390,000
RMH property acquisitions, Series 2010A	4.35 – 5.50	2031	4,150,000
RMH property acquisitions, Series 2021A	3.00	2032	350,000
Construct Student Health Ctr, 2012B	5.00	2023	525,000
Construct Student Health Ctr, 2021B	.48 - 1.91	2034	7,465,000
Renovate West Wing RMH-Dining, 2012B	5.00	2023	265,000
Renovate West Wing RMH-Dining, 2021B	.48 - 1.91	2034	3,770,000
Renov/Expand Recreation Center, 2014A	5.00	2025	6,435,000
Renov/Expand Recreation Center, 2021B	.48 - 2.11	2036	37,855,000
Revenue bonds continued			

Description	Interest Rates (%)	Fiscal Year Maturity	2021
Revenue bonds continued:			
Parking, Series 2014B	5.00	2024	1,515,000
Parking, Series 2016A	3.00	2027	1,705,000
Acq of Land, Athletics, Series 2014B	5.00	2024	700,000
Acq of Land, Athletics, Series 2016A	3.00	2027	790,000
Mason Street Parking Deck, Series 2015A	3.00 – 5.00	2036	6,105,000
Mason Street Parking Deck, Series 2021B	2.21	2037	330,000
Property acquisition, Series 2014B	4.00 – 5.00	2026	3,165,000
Property acquisition, Series 2016A	3.00 – 5.00	2028	1,530,000
New Student Housing 2017A	2.125 - 5.00	2038	43,540,000
New Student Housing 2021B	2.40	2039	1,965,000
East Campus Parking Deck, 2018A	4.00 – 5.00	2039	12,355,000
East Campus Parking Deck, 2021B	2.50	2040	480,000
West Campus Parking Deck, 2018A	4.00 – 5.00	2039	5,770,000
West Campus Parking Deck, 2021B	2.50	2040	225,000
New Convocation Center, 2018B	3.54 - 5.00	2049	70,260,000
Total revenue bonds			<u>269,280,000</u>
Dormitory and dining hall:			
Series 2010A	3.30 – 4.40	2030	7,715,000
Series 2013B	4.00	2026	7,214,504
Series 2014A	3.00 – 5.00	2034	34,760,000
Series 2015B	5.00	2028	11,714,823
Series 2016A	3.00 – 5.00	2036	45,035,000
Series 2018A	3.00 – 5.00	2038	37,460,000
Series 2019B	5.00	2022	635,000
Total general obligation revenue bonds			<u>144,534,327</u>
Total bonds payable			<u>\$ 413,814,327</u>

Long-term debt as of June 30, 2021 matures as follows:

	Principal	Interest
2022	\$ 12,116,966	\$ 15,706,418
2023	24,269,929	14,780,759
2024	26,532,501	13,602,436
2025	27,650,155	12,442,865
2026	28,648,348	11,366,542
2027-2031	136,086,428	40,624,242
2032-2036	95,480,000	20,627,126
2037-2041	33,595,000	9,129,946
2042-2046	17,140,000	4,764,375
2047-2051	12,295,000	846,563
Total	<u>\$ 413,814,327</u>	<u>\$ 143,891,272</u>

B. Capital Leases

Capital leases represent the University's obligation to the James Madison University Foundation, Inc. for a lease agreement related the Foundation Hall building. The asset value under the capital lease was recorded at the present value of the minimum lease payments at the beginning of the lease term (which includes annual escalation at 1.25 percent), and depreciated straight-line over the building's useful life. The associated long-term liability was recorded for the same amount and is reduced as payments are made over the life of the lease, which is 20 years with five one-year renewal options at the end of the initial term. The University expects to exercise all renewal options, and the lease term will officially expire in fiscal year 2045.

The capital lease commitment as of June 30, 2021 is illustrated as follows:

	Principal	Interest
2022*	\$ -	\$ -
2023	735,135	48,099
2024	729,015	64,009
2025	722,946	79,991
2026	716,927	96,047
2027-2031	3,496,095	723,770
2032-2036	3,352,970	1,137,313
2037-2041	3,215,704	1,562,326
2042-2045	1,916,274	2,125,680
Total	<u>\$ 14,885,066</u>	<u>\$ 5,837,235</u>

**Amount prepaid to the JMU Foundation in 2021 and is recorded as a reduction of the lease liability rather than as a prepayment to the Component Unit.*

C. Foundation

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

- \$1,201,111 outstanding at June 30, 2021, in notes payable at a fixed interest rate of 4.85%, and maturing through fiscal year 2029. The note is secured by a deed of trust on real estate acquired with the proceeds of the note.
- \$10,827,294 outstanding at June 30, 2021, in notes payable maturing through fiscal year 2032. The note is secured by a first priority security interest in \$3,000,000 of unrestricted cash or marketable securities/mutual funds margined at 70%, a first priority security interest in a specific deposit account maintained by the lender, and a first priority security interest in the assignment of certain agreements specific to the Shenandoah Valley Conference Center project. Principal on the note is paid annually beginning in fiscal year 2020 and is based on a 20-year amortization period. Interest is payable monthly and based on the following rates:

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

- \$8,561,302 outstanding at June 30, 2021 in a note payable established on July 9, 2019, maturing November 9, 2040. The interest rate is fixed at 3.09% through maturity of the loan in fiscal year 2041. The note is secured by a first priority security interest in investment assets held by the lender valued at \$1,926,336 at June 30, 2021, and real estate for which loan proceeds were used.

9. DEBT DEFEASANCE

A. Deferral on Debt Defeasance

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, as amended by GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, for current refundings and advance refundings resulting in defeasance of debt, the difference between the new and old debt (accounting gain or loss) is deferred and amortized as a component of interest expense. For each of the current or advance refundings noted below, the accounting gain or loss is amortized to interest expense over the life of the new debt. A summary of changes in deferred outflows and deferred inflows as a result of debt refundings for the year ending June 30, 2021 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Deferred Outflows	7,803,000	4,867,218	5,564,430	7,105,788
Deferred Inflows	38,410	800,700	19,205	819,905

During 2021, the Virginia College Building Authority, on behalf of the University, issued \$57,985,000 of Revenue Refunding Bonds, Series 2021AB, with interest rates of .48 percent – 3.00 percent. The bonds, issued at a premium of \$221,090, were used to refund the following:

- \$1,325,000 of outstanding Revenue Bonds, Series 2010A with an interest rate of 4.15 percent. The advance refunding resulted in the recognition of a deferred accounting gain of \$28,141 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect increased its aggregate debt service obligation by \$177,475 over the next 12 years and obtained an economic loss (equal to the difference between the present values of the old and new debt service payments) of \$47,669, discounted at a rate of 1.00 percent.
- \$10,505,000 of outstanding Revenue Bonds, Series 2012B with an interest rate of 3.00 – 5.00 percent. The advance refunding resulted in the recognition of a deferred accounting gain of \$497,157 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by \$587,359 over the next 14 years and obtained an economic gain (equal to the difference between the present values of the old and new debt service payments) of \$689,802, discounted at a rate of 1.34 percent.
- \$31,900,000 of outstanding Revenue Bonds, Series 2014A with an interest rate of 5.00 percent. The advance refunding resulted in the recognition of a deferred accounting loss of \$382,265 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by \$3,546,398 over the next 16 years and obtained an economic gain (equal to the difference between the present values of the old and new debt service payments) of \$3,770,167, discounted at a rate of 1.56 percent.
- \$310,000 of outstanding Revenue Bonds, Series 2015A with an interest rate of 5.00 percent. The advance refunding resulted in the recognition of a deferred accounting gain of \$22,075 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect increased its aggregate debt service obligation by \$117,987 over the next 17 years and obtained an economic loss (equal to the difference between the present values of the old and new debt service payments) of \$8,405, discounted at a rate of 2.21 percent.
- \$720,000 of outstanding Revenue Bonds, Series 2015B with an interest rate of 5.00 percent. The advance refunding resulted in the recognition of a deferred accounting loss of \$594,809 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect increased its aggregate debt service obligation by \$90,536 over the next 10 years and obtained an economic loss (equal to

the difference between the present values of the old and new debt service payments) of \$9,483, discounted at a rate of 1.33 percent.

- \$3,750,000 of outstanding Revenue Bonds, Series 2016A with an interest rate of 5.00 percent. The advance refunding resulted in the recognition of a deferred accounting loss of \$3,890,144 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect increased its aggregate debt service obligation by \$601,789 over the next 11 years and obtained an economic loss (equal to the difference between the present values of the old and new debt service payments) of \$55,319, discounted at a rate of 1.53 percent.
- \$1,860,000 of outstanding Revenue Bonds, Series 2017A with an interest rate of 5.00 percent. The advance refunding resulted in the recognition of a deferred accounting gain of \$170,043 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect increased its aggregate debt service obligation by \$840,182 over the next 18 years and obtained an economic loss (equal to the difference between the present values of the old and new debt service payments) of \$37,418, discounted at a rate of 2.40 percent.
- \$665,000 of outstanding Revenue Bonds, Series 2018A with an interest rate of 5.00 percent. The advance refunding resulted in the recognition of a deferred accounting gain of \$83,283 in fiscal year 2021, which is being amortized to interest expense over the life of the new debt. The University in effect increased its aggregate debt service obligation by \$333,890 over the next 20 years and obtained an economic loss (equal to the difference between the present values of the old and new debt service payments) of \$16,211, discounted at a rate of 2.50 percent.

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

B. Long-term Debt Defeasance

In prior years, in accordance with GASB Statement No. 7, *Advance Refundings Resulting in the Defeasance of Debt*, the University excluded from its financial statements the assets in escrow and the Section 9(c) or 9(d) bonds payable that were defeased “in-substance.” A total of \$51,035,000 in bonds are defeased and outstanding as of June 30, 2021.

10. SUPPLEMENTAL RETIREMENT INCENTIVE PLAN

Effective January 1, 1997, the University established a Supplemental Retirement Incentive Plan for tenured faculty members. In fiscal year 2018, the University extended plan eligibility to administrative and professional faculty. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 345 faculty members have elected to enroll in the plan. As of June 30, 2021, 90 participants remain, including 8 new participants who retired under this plan during fiscal year 2021 or who will retire in fiscal year 2022. In order to satisfy IRS requirements,

a trust fund has been established as means to make the payments to the plan participants. The University funded \$3,004,344 of the plan obligation in 2021. The plan payment schedule, calculated using the undiscounted total of estimated future benefits at current cost levels, is as follows:

Year Ending June 30,	Supplemental Plan Obligations
2022	3,032,375
2023	2,335,128
2024	1,694,195
2025	1,215,833
2026	555,352
Total	<u>\$ 8,832,883</u>

11. RETIREMENT PLANS

A. Virginia Retirement System (Defined Benefit Retirement Plans)

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment, unless they are eligible and choose to enroll in the optional retirement program described in section B of Note 11. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

final compensation at retirement using a formula.	final compensation at retirement using a formula.	<ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS Plan 1 members were allowed to make an</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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

<p>irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>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.</p>
<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those</p>

funding for the future benefit payment.		voluntary contributions according to specified percentages.
<p>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.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> 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.</p> <p><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> 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.</p> <p><i>Defined Contributions Component:</i> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>
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Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1 <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or	Service Retirement Multiplier <i>Defined Benefit Component:</i>

<p>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%.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p>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.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 2.00%.</p>	<p>VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>VaLORS: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.</p>

<p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>VaLORS: Same as Plan 1.</p>	<p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>VaLORS: 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p>	<p>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%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>

<p><i>Eligibility:</i> 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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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 	<p><i>Eligibility:</i> Same as Plan 1</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1</p>	<p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>
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<p>or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>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.</p>		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>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.</p> <p>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.</p>

<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contribution Component:</i> Not applicable.</p>
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Contributions

The contribution requirement for active employees is governed by §51.1-145 of *the Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year ended June 30, 2021 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 21.90% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$16,524,326 and \$15,662,118 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions from the University to the VaLORS Retirement Plan were \$351,143 and \$359,889 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the University reported a liability of \$200,123,255 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$3,521,129 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for

the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University's proportion of the VRS State Employee Retirement Plan was 2.76% as compared to 2.70% at June 30, 2019. At June 30, 2020, the University's proportion of the VaLORS Retirement Plan was .45% as compared to .47% at June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$29,993,232 for the VRS State Employee Retirement Plan and \$580,878 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2019 and June 30, 2020, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	State employee plan		VaLORs plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ 15,568,454	\$ -	\$ 207,382	\$ -
Differences between expected and actual experience	2,270,015	2,036,449	76,534	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,809,466	-	58,637	94,851
Change in assumptions	8,313,386	-	74,768	-
Employer contributions subsequent to the measurement date	16,524,326	-	351,143	-
Total deferred outflows/inflows related to pensions	<u>\$ 48,485,647</u>	<u>\$ 2,036,449</u>	<u>\$ 768,464</u>	<u>\$ 94,851</u>

\$16,875,469 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	State employee plan	VaLORs plan
2022	\$ 8,006,546	\$ 136,502
2023	11,053,083	52,474
2024	5,868,086	69,017
2025	4,997,157	64,477
2026	-	-
Total	<u>\$ 29,924,872</u>	<u>\$ 322,470</u>

Actuarial Assumptions (State Employee Plan)

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change

in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Actuarial Assumptions (VaLORS Plan)

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Plan	VaLORs Plan
Total Pension Liability	\$ 26,014,925	\$ 2,282,351
Plan Fiduciary Net Position	18,770,068	1,500,469
Employer' Net Pension Liability (Asset)	<u>\$ 7,244,857</u>	<u>\$ 781,882</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%	65.74%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.14%</u>

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11% including expected inflation of 2.50%. 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

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, 2020, 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, 2020, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the VRS State Employee Retirement Plan and VaLORS Retirement Plan net pension liabilities using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00 % Decrease (5.75%)	Current Discount Rate (6.75%)	1.00 % Increase (7.75%)
The University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	283,620,006	200,123,255	129,916,812
The University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	4,833,229	3,521,129	2,437,414

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 2020 Annual Comprehensive Financial Report (ACFR). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

Included in Accounts Payable and Accrued Expenses at June 30, 2021 are payables of \$1,567,258 and \$18,085 for the outstanding amount of contributions to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, respectively.

B. Optional Retirement Plans

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

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

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately \$7,348,829 for the year ended June 30, 2021. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$75,628,969 for fiscal year 2021.

Included in Accounts Payable and Accrued Expenses at June 30, 2021 are payables of \$1,099,182 for the outstanding amount of contributions to the Optional Retirement Plans.

C. Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was approximately \$911,398 for the fiscal year 2021.

12. OTHER POSTEMPLOYMENT BENEFITS

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

Group Life Insurance: Plan Description

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

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

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

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

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City 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
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Health Insurance Credit: Plan Description

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

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
<p>Benefit Amounts</p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <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. <p>For State police officer 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.</p> <p>For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>

Health Insurance Credit Program Notes:

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

VRS Disability Insurance: Plan Description

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • 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.
<p>Benefit Amounts</p> <p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>Leave</u> – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • <u>Short-Term Disability</u> – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and

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

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

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up 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 employees non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
 - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.

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

Line of Duty Act: Plan Description

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

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • <u>Death</u> – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • <u>Health Insurance</u> – The Line of Duty Act program provides health insurance benefits. <ul style="list-style-type: none"> ○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. ○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled

individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Virginia DHRM: Pre-Medicare Retiree Healthcare: Plan Description

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

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

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

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

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

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

of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 4,400 retirees and 90,000 active employees in the program as of June 30, 2020. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Contributions – VRS:

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

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

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

The total rate information for each program was as follows:

	Required Contribution Rate (based on actuarial valuation as of June 30, 2019)	Allocation	Rate Expectation
Group Life Ins.	1.34% of covered employee compensation	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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially	The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

		determined rate from an actuarial valuation as of June 30, 2019.	
Health Ins. Credit	1.12% of covered employee compensation for employees in the program.	N/A	The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.
VRS Disability Ins.	0.61% of covered employee compensation	N/A	The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets.
Line of Duty Act	\$717.31 per covered full-time-equivalent employee	N/A	This rate represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Contributions to each program by James Madison University for the years ended June 30, 2021 and June 30, 2020 are as follows:

Program:	June 30, 2021	June 30, 2020
Group Life Ins.	\$ 1,071,696	\$ 1,059,821
Health Ins. Credit	\$ 2,252,267	\$ 2,363,094
VRS Disability Ins.	\$ 642,689	\$ 652,987
Line of Duty Act	\$ 34,431	\$ 37,406

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

At June 30, 2021, James Madison University reported the following liabilities (assets) for its proportionate share of each program's Net OPEB Liability (Asset) for each of the VRS administered OPEB plans. The Net OPEB Liability (Asset) was measured as of June 30, 2020 and the total OPEB liability (asset) used to calculate the Net OPEB Liability (Asset) was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. At June 30, 2021, James Madison University reported the following liability for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$568.8 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

Program:	Liability (Asset) at June 30, 2021
Group Life Ins.	\$ 16,460,901
Health Ins. Credit	\$ 25,835,445
VRS Disability Ins.	\$ (5,364,006)
Line of Duty Act	\$ 1,152,748
DHRM Pre-Medicare Retirees	\$ 20,708,551

The University's proportion of each VRS Net OPEB Liability (Asset) was based on the University's actuarially determined employer contributions (pay-as-you-go, for LODA) to each program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions (pay-as-you-go, for LODA) for all participating employers.

The University's proportion of the DHRM Pre-Medicare Retiree Healthcare OPEB liability was based on its calculated healthcare premium contributions, to include the October premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers.

At June 30, 2020 and 2019, respectively, James Madison University's proportions were:

Program:	June 30, 2020	June 30, 2019
Group Life Ins.	0.98637%	0.97557%
Health Ins. Credit	2.81430%	2.79920%
VRS Disability Ins.	2.43058%	2.40915%
Line of Duty Act	0.27524%	0.16828%
DHRM Pre-Medicare Retirees	3.64059%	3.57353%

For the year ended June 30, 2021, James Madison University recognized OPEB expenses as shown in the following table. Since there was a change in proportionate share between measurement dates, a portion of each OPEB expense was related to deferred amounts from changes in proportion.

Program:	June 30, 2021
Group Life Ins.	\$ 754,202
Health Ins. Credit	\$ 2,421,118
VRS Disability Ins.	\$ 445,738
Line of Duty Act	\$ 143,588
DHRM Pre-Medicare Retirees	\$ (4,307,696)
Total OPEB Expense:	\$ (543,050)

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to each OPEB from the following sources:

Group Life Ins.		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 1,055,815	\$ 147,848
	Net difference between projected and actual earnings on OPEB program investments	\$ 494,471	\$ -
	Change in assumptions	\$ 823,235	\$ 343,713
	Changes in proportion	\$ 404,883	\$ 4,593
	Employer contributions subsequent to the measurement date	\$ 1,071,696	\$ -
	Total	\$ 3,850,100	\$ 496,154

Health Ins. Credit		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 10,757	\$ 387,709
	Net difference between projected and actual earnings on OPEB program investments	\$ 127,123	\$ -
	Change in assumptions	\$ 430,400	\$ 122,473
	Changes in proportion	\$ 695,407	\$ 9,052
	Employer contributions subsequent to the measurement date	\$ 2,252,267	\$ -
	Total	\$ 3,515,954	\$ 519,234

VRS Disability Ins.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 504,374	\$ 1,113,100
Net difference between projected and actual earnings on OPEB program investments	\$ 364,926	\$ -
Change in assumptions	\$ 71,497	\$ 220,248
Changes in proportion	\$ -	\$ 261,326
Employer contributions subsequent to the measurement date	\$ 642,689	\$ -
Total	<u>\$ 1,583,486</u>	<u>\$ 1,594,674</u>

Line of Duty Act

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 122,366	\$ 157,156
Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 1,639
Change in assumptions	\$ 308,599	\$ 71,834
Changes in proportion	\$ 327,725	\$ 11,492
Employer contributions subsequent to the measurement date	\$ 34,431	\$ -
Total	<u>\$ 793,121</u>	<u>\$ 242,121</u>

DHRM Pre-Medicare Retirees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,543,528
Changes in assumptions	\$ -	\$ 16,956,483
Changes in proportion	\$ 3,041,581	\$ -
Sub Total	\$ 3,041,581	\$ 27,500,011
Amounts associated with transactions subsequent to the measurement date	1,348,459	-
Total	<u>\$ 4,390,040</u>	<u>\$ 27,500,011</u>

Amounts reported as deferred outflows of resources related to each OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the related OPEB Liability (or adjustment to the Net OPEB Asset) in the Fiscal Year ending June 30, 2022. Those amounts are as follows:

Program:	2021 Contrib. Deferred Outflows
Group Life Ins.	\$ 1,071,696
Health Ins. Credit	\$ 2,252,267
VRS Disability Ins.	\$ 642,689
Line of Duty Act	\$ 34,431
DHRM Pre-Medicare Retirees	\$ 1,348,459
Total:	\$ 5,349,542

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

Year ended June 30	Group Life Ins.	Health Ins. Credit	VRS		DHRM Pre- Medicare Retirees
			Disability Ins.	Line of Duty Act	
FY 2022	\$ 374,417	\$ 174,339	\$ (179,286)	\$ 65,063	\$ (6,964,331)
FY 2023	514,058	190,042	(81,406)	65,366	(6,964,331)
FY 2024	625,315	197,224	(74,061)	65,689	(5,852,095)
FY 2025	590,770	168,709	(69,014)	65,784	(3,193,520)
FY 2026	162,272	14,139	(122,979)	65,885	(1,236,959)
Thereafter	15,418	-	(127,131)	188,782	(247,196)

Actuarial Assumptions – VRS:

The total OPEB liabilities (assets) were based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation (not applicable to LODA) –	
General state employees (all plans)	3.50% – 5.35%
Teachers (GLI only)	3.50% – 5.95%
SPORS employees (all plans)	3.50% – 4.75%
VaLORS employees (all plans)	3.50% – 4.75%
JRS employees (GLI, HIC only)	4.50%
Locality – General employees (GLI only)	3.50% – 5.35%
Locality – Hazardous Duty employees (GLI only)	3.50% – 4.75%
Medical cost trend rates assumption (LODA only) –	
Under age 65	7.00% – 4.75%
Ages 65 and older	5.375% – 4.75%
Year of ultimate trend rate (LODA only)	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	6.75%* (LODA only: 2.21%**), net of investment expenses, including inflation

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.*

*** Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.*

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Teachers (GLI only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees (all VRS OPEB programs)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees (all VRS OPEB programs)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – JRS Employees (GLI, HIC only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount

rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Actuarial Assumptions and Methods – DHRM:

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2020. 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 6.75 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, 2020 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.34 years
Discount Rate	2.21%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 6.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2029
Mortality	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females setback 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.50% increase compounded from ages 70 to 85.

Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.
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The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2020.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2019 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 25% to 20%
- Retiree Participation - reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

Net OPEB Liability (Asset)

The net OPEB liability (NOL) or asset (NOA) represents each program's total OPEB liability (asset) determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement date of June 30, 2020, NOL (NOA) amounts for each program (except DHRM) are as follows (amounts expressed in thousands):

	Group Life Ins.	Health Ins. Credit	VRS Disability Ins.	Line of Duty Act
Total OPEB Liability	\$ 3,523,937	\$ 1,043,382	\$ 269,531	\$ 423,147
Plan Fiduciary Net Position	\$ 1,855,102	\$ 125,378	\$ 490,220	\$ 4,333
Employer's Net OPEB Liability (Asset)	\$ 1,668,835	\$ 918,004	\$ (220,689)	\$ 418,814
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.64%	12.02%	181.88%	1.02%

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

and required supplementary information. The DHRM Pre-Medicare Retiree's Program is not included in the analysis above, as it does not accumulate assets in a trust and therefore does not report a fiduciary net position.

Long-Term Expected Rate of Return

All VRS Programs Except LODA:

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.14%</u>

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

Line of Duty Act:

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% 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 2.21% was used since it

approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

All VRS Programs Except LODA:

The discount rate used to measure each OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate (except HIC and VSDP, which will be made at the actuarially determined contribution rates adopted by the Board). Through the fiscal year ending June 30, 2020, the rate contributed by the University for each OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, each OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible (and/or current active/inactive) employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine each total OPEB liability.

Line of Duty Act:

The discount rate used to measure the total LODA OPEB liability was 2.21%. 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, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the University's proportionate share of each VRS net OPEB liability (asset) using the discount rate of 6.75% (LODA: 2.21%), and the DHRM total OPEB liability at 2.21%, as well as what the University's proportionate share of each OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%, 1.21%, 1.21%) or one percentage point higher (7.75%, 3.21%, 3.21%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 21,639,117	\$ 16,460,901	\$ 12,255,703
Employer's proportionate share of the Health Ins. Credit Program Net OPEB Liability	28,628,324	25,835,445	23,432,194
Employer's proportionate share of the VRS Disability Ins. Program Net OPEB Liability (Asset)	(4,894,071)	(5,364,006)	(5,785,840)

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Employer's proportionate share of the Line of Duty Act Program Net OPEB Liability	\$ 1,368,296	\$ 1,152,748	\$ 990,272

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Employer's proportionate share of the Pre-Medicare Retirees Total OPEB Liability	\$ 21,791,277	\$ 20,708,551	\$ 19,611,149

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% 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 LODA			
Net OPEB Liability	\$ 952,784	\$ 1,152,748	\$ 1,414,298

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 6.75% 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 (5.75% decreasing to 3.50%) or one percentage point higher (7.75% decreasing to 5.50%) than the current rate:

	1.00% Decrease (5.75% decreasing to 3.50%)	Health Care Trend Rates (6.75% decreasing to 4.50%)	1.00% Increase (7.75% decreasing to 5.50%)
Employer's proportionate share of the total DHRM			
Total OPEB Liability	\$ 18,563,526	\$ 20,708,551	\$ 23,224,364

OPEB Programs Fiduciary Net Position - VRS

Detailed information about each VRS program's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS OPEB Plans

Included in Accounts Payable and Accrued Expenses at June 30, 2021 are payables related to the outstanding amount of contributions to the VRS OPEBs as follows: Group Life Insurance \$123,843; Health Insurance Credit \$258,269; Sickness and Disability Plan \$58,805. The Line of Duty Act does not have a related payable, as it is a one-time annual payment. Additionally, a payable related to the DHRM Pre-Medicare Retirees Plan cannot be reported separately from the remainder of the health insurance payable, as the applicable individual rate for this OPEB is not readily determinable.

13. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following for the year ended June 30, 2021. The University used auxiliary revenues and cash reserves to pay debt service and capitalized improvements of \$38,167,231 and \$22,718,446. Those amounts are not included in the auxiliary operating expenses below.

Revenues:

Room contracts, net of scholarship allowances of \$2,738,774	\$ 24,654,848
Food service contracts, net of scholarship allowances of \$3,520,240	29,655,575
Comprehensive fee, net of scholarship allowances of \$9,308,058	83,645,715
Food service commissions	11,208,585
Parking fees and fines	3,188,555
Other student fees and sales and services	8,147,550
Total auxiliary enterprises revenues	<u>\$ 160,500,828</u>

Expenses:

Residential facilities	\$ 18,730,668
Dining operations	41,401,583
Athletics	28,995,492
Parking services	4,094,202
Health services	5,192,584
Student unions	4,839,274
Student recreation	6,620,794
Other auxiliary activities	(1,114,995)
Total auxiliary activities expenses	<u>\$ 108,759,602</u>

14. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses for the year ended June 30, 2021, both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Compensation and Benefits	Services, Supplies and Utilities	Scholarships and Fellowships	Non-capitalized equipment, property and plant improvements	Depreciation	Total
Instruction	\$ 160,034,057	\$ 6,078,167	\$ -	\$ 2,745,198	\$ -	\$ 168,857,422
Research	2,375,238	337,485	-	75,507	-	2,788,230
Public service	11,914,180	4,901,297	-	533,453	-	17,348,930
Academic support	32,928,917	2,976,382	-	12,205,061	-	48,110,360
Student services	18,852,866	2,602,729	-	486,695	-	21,942,290
Institutional support	34,866,542	14,452,067	-	1,558,087	-	50,876,696
Operation and maintenance- plant	21,576,437	12,021,146	-	12,745,539	-	46,343,122
Depreciation	-	-	-	-	52,768,363	52,768,363
Student aid	-	-	24,372,174	-	-	24,372,174
Auxiliary activities	38,698,568	67,275,686	-	2,785,348	-	108,759,602
Total	\$ 321,246,805	\$ 110,644,959	\$ 24,372,174	\$ 33,134,888	\$ 52,768,363	\$ 542,167,189

15. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations that remain on the last day of the current year, ending June 30, 2021, shall be re-appropriated for expenditure in the first month of the next year, beginning on July 1, 2021, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the re-appropriated balances that relate to unexpended appropriations.

During the year ending June 30, 2021 the following adjustments were made to the University's original appropriations:

Original legislative appropriation:	
Educational and general programs	\$ 96,710,352
Student financial assistance	12,725,146
Designated reversion - undergraduate financial assistance	(1,279,400)
Mandated carryforward of FY2020 reversion	1,581,397
In-State undergraduate tuition moderation	5,700,000
Tech talent investment program	685,381
Online Virginia Network Authority	650,000
Fund for Excellence and Innovation	297,241
Supplemental adjustments:	
Central Fund appropriation transfers:	
Health insurance premium holiday	(1,276,177)
Changes in contribution rates for retirement and benefits	411,719
Other central fund transfers	49,857
Other financial aid transfers	366,614
Other	46,372
Reversion to the General Fund - planned FY2022 carryforward	(24,647,318)
Adjusted appropriation	<u>\$ 92,021,184</u>

16. CAPITAL APPROPRIATIONS AND CONTRIBUTIONS

Following are the capital appropriations and contributions recognized by the University from the Commonwealth for the year ending June 30, 2021:

Treasury reimbursement programs:	
VCBA 21st Century	\$ 29,796,453
VCBA Equipment Trust Fund	2,307,207
Total capital appropriations and contributions	<u>\$ 32,103,660</u>

17. COMMITMENTS

At June 30, 2021, the University was a party to construction and other contracts totaling approximately \$321,180,926 of which \$312,369,406 has been incurred.

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

May 2018. The developer owns and operates the hotel and conference center. 300 of 1,021 spaces in the nearby Mason Street Parking Deck are available for the hotel.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for two-year term and the space leases are for three- to four-year terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense was approximately \$4,034,967 for the year ended June 30, 2021.

The University has, as of June 30, 2021, the following future minimum rental payments due under the above leases:

Year Ending June 30,	Operating Lease Obligation
2022	2,897,978
2023	1,449,205
2024	577,869
2025	272,819
2026	218,902
2027-2031	1,035,540
2032-2036	900,022
2037-2041	181,427
Total	<u>\$ 7,533,762</u>

18. GRANTS AND CONTRACTS CONTINGENCIES

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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2021, the University estimates that no material liabilities will result from such audits or questions.

19. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the ACFR.

20. FEDERAL DIRECT LENDING PROGRAM

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Plus Parent Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student account balances or refunded directly to the student.

These loan programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected on the Statement of Revenues, Expenses and Changes in Net Position. The activity is included in the noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2021, cash provided and used by the program totaled \$94,842,064.

21. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 21, 2022, the date the audited financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

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

VRS STATE EMPLOYEE RETIREMENT PLAN

	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	2.76228%	2.70274%	2.60653%	2.55125%	2.48665%	2.38118%	2.23926%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 200,123,255	\$ 170,805,939	\$ 141,108,000	\$ 148,674,000	\$ 163,889,000	\$ 145,789,000	\$ 125,362,000
Employer's Covered Payroll	\$ 115,844,068	\$ 112,195,218	\$ 106,622,132	\$ 100,984,332	\$ 96,387,707	\$ 90,050,760	\$ 85,089,890
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	172.75%	152.24%	132.34%	147.22%	170.03%	161.90%	147.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

VALORS RETIREMENT PLAN

	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.45034%	0.47326%	0.44065%	0.42201%	0.39940%	0.41071%	0.38856%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,521,129	\$ 3,284,586	\$ 2,746,000	\$ 2,769,000	\$ 3,092,000	\$ 2,919,000	\$ 2,620,000
Employer's Covered Payroll	\$ 1,665,382	\$ 1,644,314	\$ 1,511,584	\$ 1,408,518	\$ 1,378,784	\$ 1,377,116	\$ 1,333,379
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	211.43%	199.75%	181.66%	196.59%	224.26%	211.96%	196.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

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

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS

VRS STATE EMPLOYEE RETIREMENT PLAN

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 16,524,326	\$ 15,662,118	\$ 14,766,205	\$ 14,037,842	\$ 13,466,814	\$ 13,331,290	\$ 10,894,300
Contributions in relation to the contractually required contribution	16,524,326	15,662,118	14,766,205	14,037,842	13,466,814	13,331,290	10,894,300
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered payroll	114,276,113	115,844,068	112,195,218	106,622,132	100,984,332	96,387,707	90,050,760
Contributions as a percentage of covered payroll	14.46%	13.52%	13.16%	13.17%	13.34%	13.83%	12.10%

VALORS RETIREMENT PLAN

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 351,143	\$ 359,889	\$ 356,383	\$ 319,712	\$ 296,567	\$ 253,832	\$ 243,989
Contributions in relation to the contractually required contribution	351,143	359,889	356,383	319,712	296,567	253,832	243,989
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered payroll	1,603,393	1,665,382	1,644,314	1,511,584	1,408,518	1,378,784	1,377,116
Contributions as a percentage of covered payroll	21.90%	21.61%	21.67%	21.15%	21.06%	18.41%	17.72%

Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

JAMES MADISON UNIVERSITY

SCHEDULE OF EMPLOYER'S SHARE OF VRS AND DHRM POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

OTHER POST EMPLOYMENT BENEFITS - VRS GROUP LIFE INSURANCE

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net OPEB Liability (Asset)	0.98637%	0.97557%	0.97157%	0.95484%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	\$ 16,460,901	\$ 15,875,121	\$ 14,755,000	\$ 14,370,000
Employer's Covered Payroll	\$ 202,999,253	\$ 189,732,328	\$ 179,323,377	\$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.11%	8.37%	8.23%	8.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.64%	52.00%	51.22%	48.86%

OTHER POST EMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT PLAN

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net OPEB Liability (Asset)	2.81430%	2.79920%	2.73750%	2.71863%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	25,835,445	25,838,610	24,973,000	\$ 24,753,000
Employer's Covered Payroll	\$ 202,758,881	\$ 189,732,328	\$ 179,323,377	\$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	12.74%	13.62%	13.93%	14.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.02%	10.56%	9.51%	8.03%

OTHER POST EMPLOYMENT BENEFITS - VRS SICKNESS AND DISABILITY PLAN

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net OPEB Liability (Asset)	2.43058%	2.40915%	2.30943%	2.27373%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	(5,364,006)	(4,726,638)	(5,202,000)	\$ (4,668,000)
Employer's Covered Payroll	\$ 105,325,358	\$ 94,202,520	\$ 88,019,605	\$ 82,713,915
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.09%	-5.02%	-5.91%	-5.64%

JAMES MADISON UNIVERSITY

SCHEDULE OF EMPLOYER'S SHARE OF VRS AND DHRM POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	181.88%	167.18%	194.74%	186.63%
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OTHER POST EMPLOYMENT BENEFITS - VRS LINE OF DUTY ACT

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net OPEB Liability (Asset)	0.27524%	0.16828%	0.16512%	0.15782%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	1,152,748	603,765	518,000	\$ 415,000
Employer's Covered-Employee Payroll	\$ 2,009,937	\$ 1,681,778	\$ 1,538,722	\$ 1,600,113
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	57.35%	35.90%	33.66%	25.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.02%	0.79%	0.60%	1.30%

OTHER POST EMPLOYMENT BENEFITS - DHRM PRE-MEDICARE RETIREES PROGRAM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Collective Total OPEB Liability (Asset)	3.64059%	3.57353%	3.46293%	3.41632%
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset)	20,708,551	24,260,004	34,824,640	\$ 44,374,693
Employer's Covered-Employee Payroll	\$ 187,408,920	\$ 176,974,664	\$ 169,510,476	\$ 161,869,196
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	11.05%	13.71%	20.54%	27.41%

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

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

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEBS

VRS OTHER POST EMPLOYMENT BENEFITS:

GROUP LIFE INSURANCE	2021	2020	2019	2018
Contractually required contribution	\$ 1,071,696	\$ 1,059,821	\$ 1,001,769	\$ 963,513
Contributions in relation to the contractually required contribution	1,071,696	1,059,821	1,001,769	963,513
Contribution deficiency (excess)	-	-	-	-
Employer's covered payroll	198,462,222	202,999,253	189,732,328	179,323,377
Contributions as a percentage of covered payroll	0.54%	0.52%	0.53%	0.54%

HEALTH INSURANCE CREDIT	2021	2020	2019	2018
Contractually required contribution	\$ 2,252,267	\$ 2,363,094	\$ 2,232,104	\$ 2,164,740
Contributions in relation to the contractually required contribution	2,252,267	2,363,094	2,232,104	2,164,740
Contribution deficiency (excess)	-	-	-	-
Employer's covered payroll	201,095,268	202,758,881	189,732,328	179,323,377
Contributions as a percentage of covered payroll	1.12%	1.17%	1.18%	1.21%

VRS SICKNESS AND DISABILITY PROGRAM	2021	2020	2019	2018
Contractually required contribution	\$ 642,689	\$ 652,987	\$ 603,687	\$ 597,171
Contributions in relation to the contractually required contribution	642,689	652,987	603,687	597,171
Contribution deficiency (excess)	-	-	-	-
Employer's covered payroll	105,358,852	105,325,358	94,202,520	88,019,605
Contributions as a percentage of covered payroll	0.61%	0.62%	0.64%	0.68%

LINE OF DUTY ACT	2021	2020	2019	2018
Contractually required contribution*	\$ 34,431	\$ 37,406	\$ 22,585	\$ 17,588
Contributions in relation to the contractually required contribution	34,431	37,406	22,585	17,588
Contribution deficiency (excess)	-	-	-	-
Employer's covered-employee payroll	1,893,518	2,009,937	1,681,778	1,538,722
Contributions as a percentage of covered-employee payroll	1.82%	1.86%	1.34%	1.14%

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

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

JAMES MADISON UNIVERSITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

1. PENSION:

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

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

VRS Changes

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

VaLORS Changes

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

2. OTHER POST-EMPLOYMENT BENEFITS (OPEBS)

VIRGINIA RETIREMENT SYSTEM

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

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

General State Employees (all VRS OPEB programs)

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

Teachers (GLI only)

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

SPORS Employees (all VRS OPEB programs)

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

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

VaLORS Employees (all VRS OPEB programs)

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

JRS Employees (GLI and HIC only)

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

Largest Ten Locality Employers - General Employees (GLI only)

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

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

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

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

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

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

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

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

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

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

VIRGINIA DEPARTMENT OF HUMAN RESOURCE MANAGEMENT (DHRM)

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

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

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2019 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 25% to 20%
- Retiree Participation - reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 21, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
James Madison University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit and remaining fund information of James Madison University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit of the University that were audited by another auditor upon whose report we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component unit and remaining fund information of James Madison University as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University's fiscal year 2020 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated April 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 12; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Employer's Share of VRS and DHRM Post-Employment Benefit Plans Other than Pensions, the Schedule of Employer Contributions – OPEBS and the Notes to the Required Supplementary Information for Pensions and Other Post-Employment Benefits on pages 95 through 104. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2022, on our consideration of James Madison University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

AVC/clj

JAMES MADISON UNIVERSITY

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