

CHRISTOPHER NEWPORT UNIVERSITY

Audited Financial Statements



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MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The youngest comprehensive university in the Commonwealth, Christopher Newport University was founded in 1960 as Christopher Newport College, a two-year branch of the College of William & Mary in Williamsburg, Virginia. Located in historic Hampton Roads, the institution was named for the 17th-century English mariner who helped establish the Jamestown Colony. The University became independent in 1977 and gained university status in 1992.

Today, CNU is a four-year, undergraduate liberal arts university, enrolling 4,500 students in rigorous academic programs through the College of Arts and Humanities, the College of Natural and Behavioral Sciences, and the College of Social Sciences including the Luter School of Business. CNU combines traditional liberal arts and sciences curriculum with contemporary teaching ideologies with an emphasis on growing leaders of the future.

OVERVIEW

The following Management's Discussions and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying Financial Statements and provides an objective analysis of the University's financial activities based on currently known facts, decisions, and conditions. The discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2024, with comparative numbers for the year ended June 30, 2023. This presentation includes highly summarized data and should be read in conjunction with the accompanying Financial Statements, Notes to Financial Statements and Required Supplemental Information. University management is responsible for all of the financial information presented, including the discussion and analysis.

The Christopher Newport University Educational and Real Estate Foundations, Inc. are component units and are included, in separate columns, in the accompanying Financial Statements and in Note 18 to the Financial Statements. However, the following discussion and analysis does not include the Foundations' financial condition and activities.

The basic financial statements for Christopher Newport University are the Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position, and the Statement of Cash Flows. The following analysis discusses elements from the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, as well as an overview of the University's activities.

STATEMENT OF NET POSITION

The Statement of Net Position (SNP) presents the assets, liabilities, and net position of the University 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 readers of the Financial Statements.

The data presented aids readers in determining the assets available to continue operations of the University. It also allows readers to determine how much the University owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of net position and their availability for expenditure by the University. Sustained increases in net position over time are one indicator of the financial health of the organization.

The University's 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, accumulated amortization 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** – Expendable restricted net 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 endowment and similar type funds where donors or other outside sources have stipulated, 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 principal.
- **Unrestricted net position** – Unrestricted net position represents resources used for transactions relating to academic departments and general operations of the University, and 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. These resources are derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are student residential and dining programs.

A condensed version of the Statement of Net Position is presented here. This statement shows that the University's assets and deferred outflows increased by \$75.4 million, or 11.1%, during fiscal year 2024, bringing the total assets and deferred outflows to \$757.2 million at year end. This is a result of capital appropriations funded by the Commonwealth in the amount of \$81.1 million for the Integrated Science Center, Renewals and Replacements and a new Plant Operations building. The unspent portion of this funding is recorded in other appropriations available under other noncurrent assets. Current assets increased by \$9.4 million and net capital assets decreased by \$4.0 million. Capital assets are discussed further in the following section and Note 5.

In fiscal year 2024 the University applied the Governmental Accounting Standards Board

(GASB) implementation guidance regarding asset capitalization for aggregate assets. Previously, the University capitalized assets that met the individual capitalization threshold, in fiscal year 2024 the University looked at the purchases of groups of assets to determine if, in total, they exceed the University's capitalization threshold. The University also looked back three years for assets that met this new guidance and as a result made a beginning balance increase to net position for \$1.5 million.

The statement above also shows restricted net position increased by \$62.1 million due to capital appropriations funding as discussed above.

Capital assets, debt, pension and other post employment benefits (OPEB) are discussed further in the MD&A as well as in the Notes to Financial Statements and the Required Supplemental Information (RSI).

Note 1 of the Notes to Financial Statements includes the summary of significant accounting policies for Capital Assets, Pension and OPEB. Note 12 discusses the Retirement (Pension) Plan and Note 13 discusses the OPEB plans, these along with the RSI disclose information on the plans available to all full-time, salaried permanent employees of the University, along with detail on net Pension or OPEB liability (asset), expense, and contributions by the University.

Condensed Statement of Net Position				
For the years ended June 30, 2024 and 2023				
(All dollars in millions)				
	2024	2023	Change Amount	Change Percent
Assets and Deferred Outflows:				
Current assets	\$ 55.2	\$ 45.8	\$ 9.4	20.5 %
Capital assets, net*	612.8	616.8	(4.0)	(0.6) %
Other noncurrent assets	74.7	7.9	66.8	845.6 %
Deferred outflows of resources	14.5	11.3	3.2	28.3 %
Total assets and deferred outflows	757.2	681.8	75.4	11.1 %
Liabilities and Deferred Inflows:				
Current liabilities	53.3	44.8	8.5	19.0 %
Noncurrent liabilities	204.4	216.1	(11.7)	(5.4) %
Deferred inflows of resources	9.6	15.2	(5.6)	(36.8) %
Total liabilities and deferred inflows	267.3	276.1	(8.8)	(3.2) %
Net position:				
Invested in capital assets, net	445.2	433.4	11.8	2.7 %
Restricted	64.2	2.1	62.1	2,957.1 %
Unrestricted	(19.6)	(29.8)	10.2	34.2 %
Total net position	\$489.8	\$405.7	\$ 84.1	20.7 %
*Includes non-depreciable capital assets, capital assets, net and intangible right to use assets, net from the Statement of Net Position.				

CAPITAL ASSET AND DEBT ADMINISTRATION

One of the critical factors in ensuring the quality of the University's academic and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current structures, as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serve to enrich the University's high-quality instructional programs and residential lifestyles.

The table below and Note 5 of the Notes to the Financial Statements describes the University's significant investment in capital assets with gross additions of \$28.7 million. Changes in net capital assets consisted of the following:

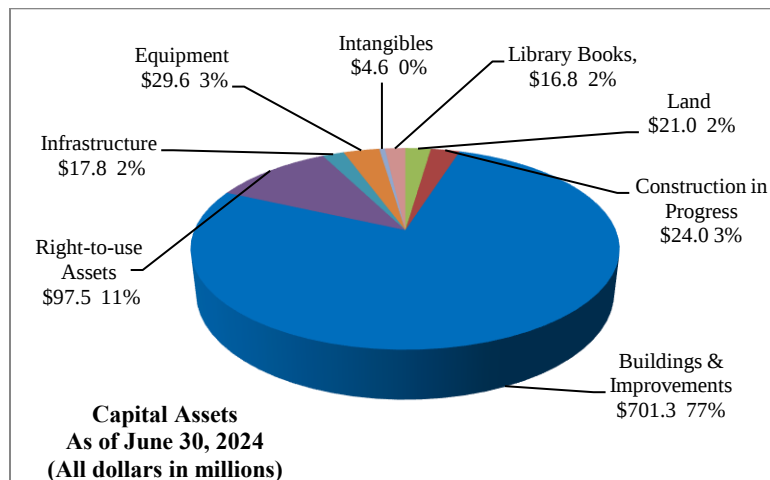
Capital Assets	
For the year ended June 30, 2024 (All dollars in millions)	
	Amount
Additions	
Construction in progress (see table)	\$ 20.1
Buildings & other improvements	1.6
Right-to-use assets	2.5
Infrastructure	1.8
Equipment, library & intangibles	2.7
Total capital asset additions	\$ 28.7
Reductions	
Construction in progress	\$ 2.7
Right-to-use assets	4.7
Equipment, library & intangibles	0.9
Total capital asset reductions	\$ 8.3

- Additions in fiscal year 2024 were for:
 - Construction in Progress increases were for the Integrated Science Center, athletic facility, resident hall roof replacement and miscellaneous equipment. Building acquisition consisted of the athletics training facility. Improvements consisted of a wall mural vinyl wrap and parking improvements. Equipment purchases were made for two new servers, four 14-passenger vans for parking services, two used trucks, a confocal microscope and numerous library books and periodicals. Intangibles consisted of a network refresh and controls upgrade.
- Reductions in the fiscal year consisted of the following:
 - Construction in progress decreases were for the capitalization of the athletic facility and the network refresh and controls upgrade. Equipment decreases were for multiple information technology servers and equipment.

Construction in Progress	
For the year ended June 30, 2024 (All dollars in millions)	
	Project Amount
Integrated Science Center-Phase III	\$ 21.8
Potomac River Hall Partial Roof Replacement	0.6
Miscellaneous Equipment	0.7
Miscellaneous Trust Fund Equipment	0.4
Ferguson Center Partial Roof Replacement	0.2
Tennis Courts Repair	0.1
Miscellaneous	0.2
Total construction in progress	\$ 24.0

Construction in progress is detailed in the table to the left showing the balance as of June 30, 2024. The Integrated Science Center makes up 90% of the construction in progress balance.

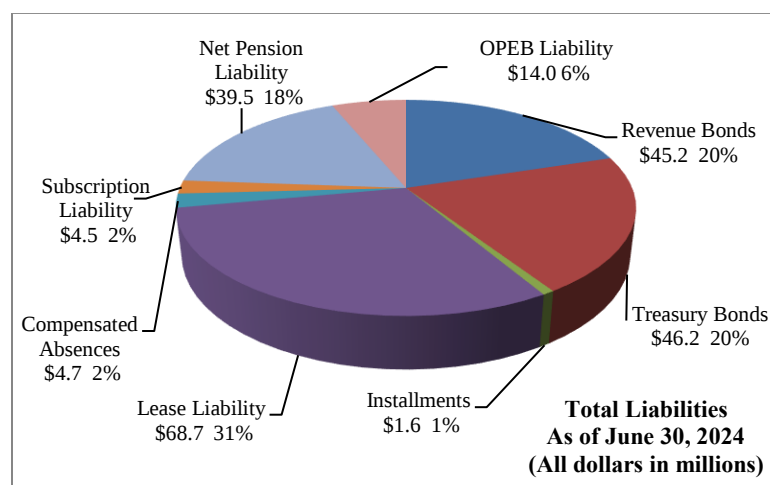
The table below shows that buildings and improvements continue to account for the majority of capital assets of the University.



Notes 8 and 9 of the Notes to Financial Statements contain information relating to the long-term debt of the University.

Total long-term liabilities at the end of fiscal year 2024 were \$224.4 million. This is made up primarily from bond issues and the GASB 87 lease liabilities. Long-term liabilities also include GASB 96 subscription-based liabilities, compensated absences, VRS pension and OPEB.

Below is a chart representing the noncurrent liabilities of the University.



STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Per the University's Mission Statement, our primary focus is excellence in teaching, inspired by sound scholarship. At CNU, personal attention in small classes creates a student-centered environment where creativity and excellence can flourish. First, second- and third-year students are required to live on campus. The University feels that students who live on campus statistically achieve higher academic success, are more engaged with faculty, more connected with campus, more likely to return for a second year, and go on to graduate. 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 this statement is to present all revenues received and accrued, all expenses paid and accrued, gains or losses from investments and capital assets.

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the University. Operating expenses are expenditures made to acquire or procure the goods and services provided in return for the operating revenues and to carry out the mission of the University. Salaries and fringe benefits for faculty and staff are the largest type of operating expenses. Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations included in this category provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, will expect to show an operating loss.

In fiscal year 2024 the University had an increase in net position of \$82.5 million resulting primarily from additional state appropriations to enhance student success and retention and the increase in capital appropriations for the Integrated Science Center. See Note 10. State Appropriations in the Notes to the Financial Statements for details. As discussed earlier, due to the GASB implementation guidance regarding asset capitalization for aggregate assets the University recognized an increase to beginning net position of \$1.5 million.

Summary of the Statement of Revenues, Expenses, and Changes in Net Position					
For the years ended June 30, 2024 and 2023					
(All dollars in millions)					
	2024	2023	Change Amount	Change Percent	
Operating revenues	\$112.5	\$117.6	\$ (5.1)	(4.3)	%
Operating expenses	179.1	186.6	(7.5)	(4.0)	%
Operating loss	(66.6)	(69.0)	2.4	3.5	%
Non-operating revenues, net	66.2	60.7	5.5	9.1	%
Net other revenues (expenses)	82.9	15.4	67.5	438.3	%
Increase in net position	82.5	7.1	75.4	1,062.0	%
Net position beginning of the year*	407.3	398.6	8.7	2.2	%
Net position end of year	\$489.8	\$405.7	\$ 84.1	20.7	%
*Includes a beginning balance adjustment of \$1.5 for capitalization of aggregate assets					

OPERATING REVENUES

Total operating revenues decreased by \$5.1 million from the prior fiscal year due to the increase in scholarship allowance applied to tuition and other fee revenues as a result of the change in the National Association of College and University Business Offices (NACUBO) advisory on accounting for and reporting financial aid as a discount. In simple terms this new advisory applies student aid to the student account, first to tuition and then room and board, before any other payments and individual student account activity is aggregated for the calculation period.

NON-OPERATING REVENUES

Total non-operating revenues increased by \$5.5 million. This increase was due to an increase in the state appropriations to support student success. See Note 10. State Appropriations in the Notes to the Financial Statements for details.

OTHER REVENUE

Other revenue increased by \$67.5 million from prior fiscal year due to the increase in capital appropriations for the Integrated Science Center.

Summary of Revenues					
For the years ended June 30, 2024 and 2023					
(All dollars in millions)					
	2024	2023	Change Amount	Change Percent	
Operating revenues					
Student tuition and fees, net	\$ 29.7	\$ 40.9	\$(11.2)	(27.4)	%
Grants and contracts	2.7	2.7	-	-	%
Auxiliary enterprises, net	74.9	68.6	6.3	9.2	%
Other operating revenue	5.2	5.4	(0.2)	(3.7)	%
Total operating revenue	112.5	117.6	(5.1)	(4.3)	%
Non-operating revenues					
State appropriations	60.8	53.8	7.0	13.0	%
Federal financial aid	3.9	4.7	(0.8)	(17.0)	%
Federal Revenue	0.5	2.1	(1.6)	(76.2)	%
Other non-operating revenue*	6.4	5.6	0.8	14.3	%
Total non-operating revenue	71.6	66.2	5.4	8.2	%
Other revenue					
Capital appropriations	82.8	15.1	67.7	448.3	%
Capital gifts and grants	0.1	0.3	(0.2)	(66.7)	%
Total other revenue	82.9	15.4	67.5	438.3	%
Total revenue	<u>\$ 267.0</u>	<u>\$ 199.2</u>	<u>\$ 67.8</u>	34.0	%
* Includes gifts, investment income, and other non-operating revenue.					

TOTAL EXPENSES

The expenses of the University are also separated into operating and non-operating expenses. The operating expenses are presented in the Financial Statements by function.

OPERATING EXPENSES

Total operating expenses for the fiscal year totaled \$179.0 million, down \$7.6 million from fiscal year 2023. The net change resulted primarily from decreased auxiliary enterprises for the capitalization of assets and student aid expenses due to the implementation of the NACUBO advisory on accounting for and reporting financial aid as a discount. These decreases were offset slightly by increases in depreciation and amortization, institutional support, instruction expense and the operation and maintenance of plant.

NON-OPERATING EXPENSES

Non-operating expenses increased by \$0.1 million primarily from interest on capital asset related debt.

Summary of Expenses				
For the years ended June 30, 2024 and 2023				
(All dollars in millions)				
	2024	2023	Change Amount	Change Percent
Operating expenses				
Instruction	\$ 41.8	\$ 40.5	\$ 1.3	3.2 %
Research	2.8	2.9	(0.1)	(3.4) %
Academic support	13.0	13.9	(0.9)	(6.5) %
Student services	9.0	8.2	0.8	9.8 %
Institutional support	15.8	14.0	1.8	12.9 %
Operation & maintenance of plant	13.7	11.6	2.1	18.1 %
Depreciation and amortization	30.5	28.9	1.6	5.5 %
Student aid	0.5	6.1	(5.6)	(91.8) %
Auxiliary enterprises	51.9	60.5	(8.6)	(14.2) %
Total operating expenses	<u>179.0</u>	<u>186.6</u>	<u>(7.6)</u>	(4.1) %
Non-operating expenses				
Interest on capital asset related debt	2.8	3.0	(0.2)	(6.7) %
Interest on lease and subscription liabilities	2.7	2.3	0.4	17.4 %
Other non-operating expenses and loss on disposal of plant assets	-	0.1	(0.1)	(100.0) %
Total non-operating expenses	<u>5.5</u>	<u>5.4</u>	<u>0.1</u>	1.9 %
Total Expenses	<u>\$ 184.5</u>	<u>\$ 192.0</u>	<u>\$ (7.5)</u>	(3.9) %

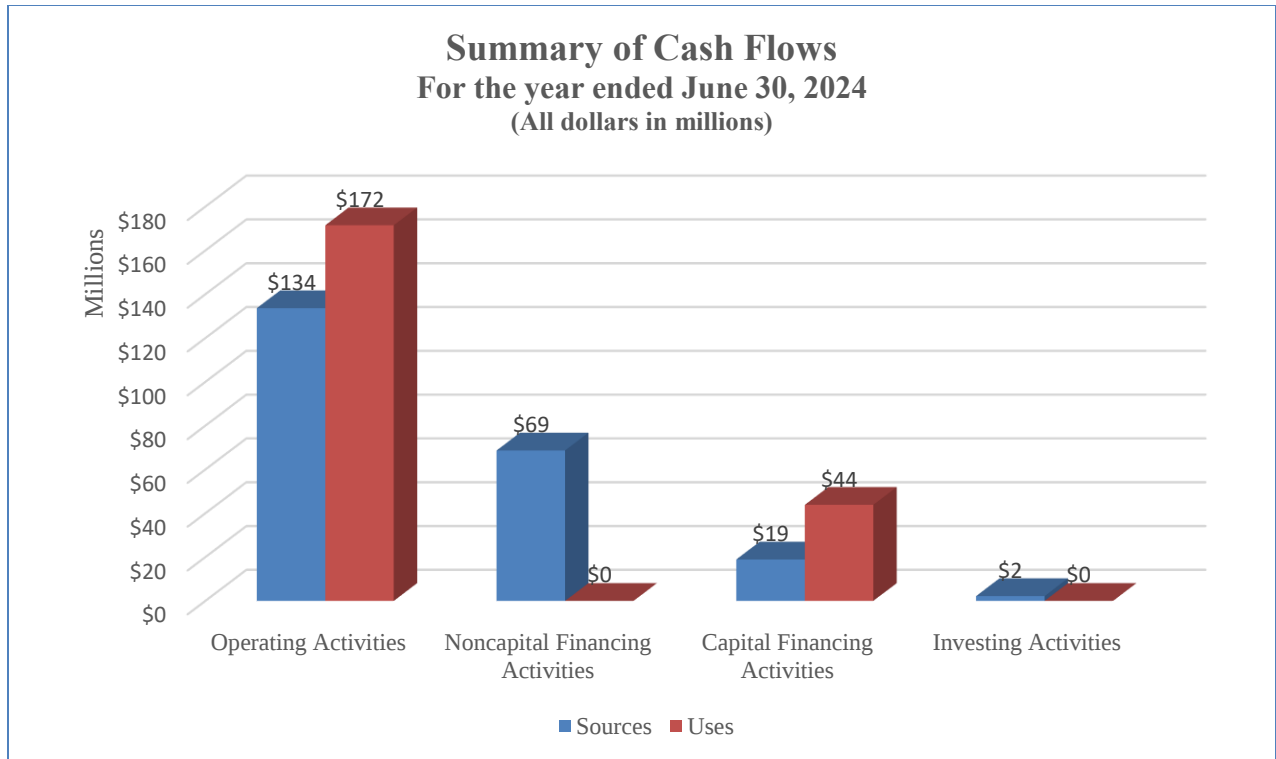
STATEMENT OF CASH FLOWS

The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities 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 noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows necessary to meet its obligations.

The statement is divided into five sections:

- *Cash flows from operating activities* deals with operating cash flows and shows net cash used by the operating activities of the University.
- *Cash flows from noncapital financing activities* reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires that general appropriations from the Commonwealth be shown as cash flows from noncapital financing activities. Since state appropriations are used to cover the operating expenses of the University, net cash should always be used by operating activities and provided by noncapital financing activities.
- *Cash flows from capital financing activities* presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as capital appropriations, are included in cash flows from capital financing activities.
- *Cash flows from investing activities* reflects the cash flows generated from investments, including purchases, proceeds, and interest.
- The last section reconciles the operating loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

Summary of Cash Flows					
For the years ended June 30, 2024 and 2023					
(All dollars in millions)					
	2024	2023	Change Amount	Change Percent	
Net cash provided/(used) by operating activities	\$ (37.9)	\$ (47.4)	\$ 9.5	20.0	%
Net cash provided/(used) by noncapital activities	68.6	63.2	5.4	8.5	%
Net cash provided/(used) by capital and related financing activities	(24.9)	(24.1)	(0.8)	(3.3)	%
Net cash provided/(used) by investing activities	2.2	1.2	1.0	83.3	%
Net increase (decrease) in cash and cash equivalents	8.0	(7.1)	15.1	212.7	%
Cash and cash equivalents - beginning of year	39.0	46.1	(7.1)	(15.4)	%
Cash and cash equivalents - end of year	\$ 47.0	\$ 39.0	\$ 8.0	20.5	%



The University ended 2024 with cash and cash equivalents of \$47.0 million, a net increase in cash of \$8.0 million from prior fiscal year.

Net cash used by operating activities was \$37.9 million. The primary sources of cash from operating activities were student tuition and fees for \$29.7 million and Auxiliary enterprises for \$75.3 million. The primary uses of cash from operating activities were payments to employees for salaries, wages and fringe benefits for \$104.6 million, payments for services and supplies for \$37.7 million, payments for non-capitalized plant improvements for \$1.0 million and payments for utilities for \$7.4 million.

Noncapital financing activities had net cash provided of \$68.7 million. The primary sources of cash from noncapital financing activities consisted of state appropriations of \$60.8 million, federal student financial aid of \$4.0 million and gifts and grants of \$3.6 million.

Net cash used by capital financing activities was \$24.9 million. The primary source of cash from capital financing was \$17.8 million from capital appropriations. Primary uses of cash from capital financing activities were for the purchase of capital assets of \$19.6 million and the principal and interest payments on debt, leases, subscriptions and installments of \$18.4 million and \$5.8 million, respectively.

Net cash provided by investing activities was \$2.2 million from interest earned on investments.

ECONOMIC OUTLOOK

The University's economic outlook is closely related to its role as one of the Commonwealth's comprehensive higher education institutions. As such, it is largely dependent upon ongoing financial support from state government. After keeping tuition level for 2019-2023 (2023 net of scholarship) the Board of Visitors increased Tuition, Comprehensive Fee and Board Plans in 2024 and again in 2025. The 2024-25 Undergraduate Tuition was increased by 2.9%, Comprehensive Fee was increased by 3.0% and Room and Board were increased by 2.0%.

Christopher Newport University is a young institution, but our formidable reputation is growing quickly thanks to our commitment to the principles of liberal learning and our dedication to the ideals of scholarship, leadership and service. This dedication has allowed the University to rank third among public regional universities in the south and seventh among all Southern regional universities in the *U.S. News & World Report* rankings.

Christopher Newport is one of only five public institutions in the nation to earn a perfect "A+" rating from the American Council of Trustees and Alumni (ACTA) for the strength of its curriculum in *What Will They Learn?* ACTA's study of over 1,000 colleges and universities, which reveals what value students actually receive from their college curriculum. A perfect score indicates that an institution requires all seven subjects deemed essential to a quality education: literature, composition, economics, mathematics, foreign language, science and American history/government.

College Choice lists Christopher Newport University in its Best Colleges rankings. They account for three central factors: student body diversity, academic quality and return on investment, which they analyze using data from IPEDS, a database on higher education statistics available through the National Center for Education Statistics.

Christopher Newport is included in *Money* magazine's Best Colleges listing, which recognize educational quality, affordability and alumni success.

Per *the Princeton Review*, Christopher Newport is ranked one of the nation's best 389 colleges, one of the best in the Southeast and one of the nation's best values. It is also ranked among the nation's top 10 universities in these categories for public universities: Ninth in "Making an Impact" and seventh in "Internships".

CNU's master's degree programs in elementary education rank No. 5 in the nation according to *Top Master's in Education*, which uses evidence-based research to provide objective rankings and critical reviews of master's in education degree programs and colleges of education, both traditional and online.

For fiscal year 2025 the University will continue to fulfill its mission to provide educational and cultural opportunities that benefit students, the residents of the Commonwealth of Virginia and the nation. Christopher Newport provides outstanding academic programs, encourages service and leadership within the community, and provides opportunities for student involvement in nationally and regionally recognized research and arts programs.

Our primary focus is excellence in teaching, inspired by sound scholarship with personal attention in small classes creating a student-centered environment where creativity and excellence can flourish. Though our primary focus is to provide outstanding undergraduate education, we also serve the Commonwealth with master's degree programs that provide intellectual and professional development for graduate-level students.

The University is committed to providing a liberal arts education that stimulates intellectual inquiry and fosters social and civic values. Christopher Newport students acquire the qualities of mind and spirit that prepare them to lead lives with meaning and purpose. As a state university, we are committed to service that shapes the economic, civic and cultural life of our community and the Commonwealth.

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2024

	University	Component Unit Education Foundation	Component Unit Real Estate Foundation
Current Assets:			
Cash and cash equivalents (Note 3)	\$ 5,865,106	\$ 1,034,968	\$ 2,560,804
Cash and cash equivalents Treasurer of Virginia (Note 3)	40,933,164	-	-
Cash and cash equivalents - securities lending (Note 3)	4,038,233	-	-
Other investments	-	2,900,311	-
Accounts receivable, net of allowance (Note 4)	1,929,050	10,070	1,016,190
Pledges receivable, net of allowance (Note 18)	-	2,929,730	-
Due from Commonwealth (Note 4)	164,469	-	-
Prepaid expenses	2,080,935	-	-
Inventory	209,068	-	-
Total current assets	<u>55,220,025</u>	<u>6,875,079</u>	<u>3,576,994</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	4,684,885	-
Restricted cash/cash equivalents Treasurer of Virginia (Note 3)	190,349	-	-
Restricted investments (Notes 3 and 18)	403,115	62,920,094	-
Appropriations available/due from	71,732,217	-	-
Pledges receivable, net of allowance (Note 18)	-	7,532,215	-
Notes receivable	-	-	400,000
Prepaid expenses	18,803	-	-
Other assets	-	1,355,000	773,800
Other restricted assets (Note 13)	2,315,861	2,262,462	-
Non-depreciable capital assets (Notes 5 and 18)	44,935,958	974,344	21,797,741
Capital assets, net (Notes 5 and 18)	496,788,245	-	92,527,868
Intangible right to use assets, net (Note 5)	71,103,016	-	-
Total noncurrent assets	<u>687,487,564</u>	<u>79,729,000</u>	<u>115,499,409</u>
Deferred outflows of resources (Note 6)	<u>14,477,355</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>757,184,944</u>	<u>86,604,079</u>	<u>119,076,403</u>
Current Liabilities:			
Accounts payable and accrued expenses (Note 7)	23,783,902	520,307	104,487
Unearned revenue	2,759,931	-	-
Obligations under securities lending	4,038,233	-	-
Accrued interest payable	875,570	-	142,250
Deposits held in custody for others	1,766,360	-	83,199
Long-term liabilities - debt, current (Notes 8 and 18)	7,555,075	-	8,457,268
Long-term liabilities - compensated absences, current (Note 8)	3,068,299	-	-
Long-term liabilities - other post employment benefits, current (Note 8)	284,241	-	-
Long-term liabilities - leases, current (Note 8)	7,630,521	-	-
Long-term liabilities - subscription-based information technology (Note 8)	1,553,592	-	-
Total current liabilities	<u>53,315,724</u>	<u>520,307</u>	<u>8,787,204</u>
Noncurrent Liabilities:			
Noncurrent liabilities - debt (Notes 8, 9 and 18)	85,422,845	-	99,735,231
Noncurrent liabilities - compensated absences (Note 8)	1,594,038	-	-
Noncurrent liabilities - pension (Note 8)	39,542,491	-	-
Noncurrent liabilities - other post employment benefits (Note 8)	13,752,121	-	-
Noncurrent liabilities - leases (Notes 8 and 9)	61,115,292	-	-
Noncurrent liabilities - subscription-based information technology (Notes 8 and 9)	2,964,723	-	-
Total noncurrent liabilities	<u>204,391,510</u>	<u>-</u>	<u>99,735,231</u>
Deferred inflows of resources (Note 6)	<u>9,628,437</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>267,335,671</u>	<u>520,307</u>	<u>108,522,435</u>
Net investment in capital assets	445,198,950	974,344	8,392,431
Restricted for:			
Nonexpendable - scholarships and fellowships	-	39,505,153	-
Expendable:			
Other Post Employment Benefits	2,272,339	-	-
Scholarships and fellowships	-	3,327,052	-
Academic support	-	15,904,979	-
Capital projects	61,964,363	2,847,501	-
Other	-	20,095,938	-
Unrestricted	<u>(19,586,379)</u>	<u>3,428,805</u>	<u>2,161,537</u>
Total net position	<u>\$ 489,849,273</u>	<u>\$ 86,083,772</u>	<u>\$ 10,553,968</u>

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

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2024

	University	Component Unit Education Foundation	Component Unit Real Estate Foundation
Operating Revenues:			
Student tuition and fees, Net of scholarship allowance of \$21,713,007	\$ 29,702,292	\$ -	\$ -
Federal grants and contracts	2,399,882	-	-
State grants and contracts	212,918	-	-
Nongovernmental grants and contracts	150,100	160,000	-
Gifts and contributions	-	5,456,812	-
Auxiliary enterprises, Net of scholarship allowance of \$3,734,985	74,853,336	-	-
Lease and rental revenue	-	-	13,550,653
Other operating revenue	5,184,482	365,140	-
Total operating revenues	<u>112,503,010</u>	<u>5,981,952</u>	<u>13,550,653</u>
Operating Expenses:			
Instruction	41,796,260	-	-
Research	2,825,605	-	-
Academic support	13,033,714	-	-
Student services	9,008,077	-	-
Institutional support	15,831,838	3,772,978	3,297,751
Operation and maintenance of plant	13,704,338	1,702,872	2,192,463
Depreciation and amortization	30,457,071	15,448	4,240,324
Student aid	535,915	2,471,251	-
Auxiliary enterprises	51,902,943	-	-
Total operating expenses	<u>179,095,761</u>	<u>7,962,549</u>	<u>9,730,538</u>
Operating gain/(loss)	<u>(66,592,751)</u>	<u>(1,980,597)</u>	<u>3,820,115</u>
Non-operating Revenues/(Expenses):			
State appropriations (Note 10)	60,807,755	-	-
Federal student financial aid	3,989,868	-	-
Gifts	3,644,129	-	-
Investment income, net of investment expenses of \$4,000	1,728,303	6,921,559	245,326
Interest on capital asset related debt	(2,778,787)	-	(4,073,849)
Interest on lease and subscription liabilities	(2,651,272)	-	-
Federal revenue	74,645	-	-
Build America Bonds subsidy	446,005	-	-
Other non-operating revenues (expenses)	962,174	-	-
Gain (Loss) on disposal of plant assets	(4,914)	-	-
Net nonoperating revenues/(expenses)	<u>66,217,906</u>	<u>6,921,559</u>	<u>(3,828,523)</u>
Income before other revenues/(expenses)/gains/(losses)	<u>(374,845)</u>	<u>4,940,962</u>	<u>(8,408)</u>
Capital appropriations	82,802,009	-	-
Capital gifts and grants	129,196	-	-
Additions to permanent endowments	-	2,860,352	-
Net other revenues	<u>82,931,205</u>	<u>2,860,352</u>	<u>-</u>
Increase/(decrease) in net position	82,556,360	7,801,314	(8,408)
Net Position - Beginning of year, as previously stated	405,746,752	78,282,458	10,562,376
Adjustments (Note 2)	<u>1,546,161</u>	<u>-</u>	<u>-</u>
Net Position - End of year	<u>\$ 489,849,273</u>	<u>\$ 86,083,772</u>	<u>\$ 10,553,968</u>

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

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

Cash flows from operating activities:	
Student tuition and fees	\$ 29,715,730
Grants and contracts	2,880,242
Auxiliary enterprises	75,263,542
Other receipts	4,938,299
Payments to employees	(104,571,135)
Payments for services and supplies	(37,727,713)
Payments for utilities	(7,419,614)
Payments for student aid	(535,915)
Payments for non-capitalized plant improvements and equipment	(1,036,029)
Custodial receipts	1,673,682
Custodial payments	(1,133,990)
PLUS loan receipts	8,360,636
PLUS loan disbursements	(8,360,636)
Federal direct lending program receipts	10,370,873
Federal direct lending program disbursements	(10,370,873)
Loans and advances issued to students and employees	(345,032)
Collection of loans and advances from students and employees	432,592
Net cash used by operating activities	<u>(37,865,341)</u>
Cash flows from noncapital financing activities:	
State appropriations	60,807,755
Federal revenue	74,645
Gifts and grants for other than capital purposes	3,644,129
Federal student financial aid	3,989,868
Other nonoperating revenues	149,502
Net cash provided by noncapital financing activities	<u>68,665,899</u>
Cash flows from capital financing activities:	
Capital appropriations	17,778,721
Capital grants and contributions	129,196
Proceeds from capital financing	998,094
Purchase of capital assets	(19,583,716)
Principal paid on capital debt, leases, subscriptions and installments	(18,449,522)
Interest paid on capital debt, leases, subscriptions and installments	(5,816,245)
Net cash used by capital financing activities	<u>(24,943,472)</u>
Cash flows from investing activities:	
Interest on investments	2,170,211
Net cash provided by investing activities	<u>2,170,211</u>
Net increase/(decrease) in cash	8,027,297
Cash and cash equivalents - Beginning of year	<u>38,961,322</u>
Cash and cash equivalents - End of year	<u>\$ 46,988,619</u>

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

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

Reconciliation of Net Operating Loss to Net Cash
Used by Operating Activities:

Operating loss	\$ (66,592,751)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	30,457,071
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Receivables, net	(313,510)
Inventory	(11,572)
Prepaid expenses	(281,934)
OPEB restricted asset	(175,474)
Deferred outflow of resources	(3,263,348)
Accounts payable and accrued expenses	1,977,572
Unearned revenue	1,112,527
Deposits held in custody	77,157
Accrued compensated absences	221,726
Net pension liability	4,590,079
OPEB liability	(161,119)
Deferred inflow of resources	(5,501,765)
Net cash used by operating activities	<u><u>\$ (37,865,341)</u></u>

Non Cash investing, non capital financing, and
capital and related financing transactions:

Right-to-Use Intangible Assets	\$ 2,471,356
VRS Special Contribution	\$ 812,672
Amortization of bond premium and discount	\$ 599,966
Capital assets retainage accrued	\$ (891,112)
Loss on disposal of plant assets	\$ (4,914)
Change in fair value of investments recognized as a component of interest income	\$ 7,074

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

CHRISTOPHER NEWPORT UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the University are as follows:

A. Reporting Entity

Christopher Newport University is a comprehensive university that is part of the Commonwealth of Virginia'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 of Virginia, which includes all agencies over which the Commonwealth exercises oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The University includes all entities over which the University exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement 14, as amended by Statements 39 and 61, the Christopher Newport University Education and Real Estate Foundations, Inc. are discretely presented as component units of the University. The Foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University.

Christopher Newport University Education and Real Estate Foundations are tax-exempt, nonprofit, nonstock corporations. The Christopher Newport University Education Foundation was organized in September 1980 and Christopher Newport University Real Estate Foundation was organized in June 1997. The Foundations were created to receive, administer and distribute funds and property exclusively in furtherance of the educational activities and objectives of Christopher Newport University. Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources, or incomes thereon, which the Foundations hold and invest, are restricted to the activities of the University by the donors. Since the restricted resources, held by the Foundations, can only be used by or for the benefit of the University, the Foundations are considered component units of the University and are discretely presented in the University's financial statements.

During the year ended June 30, 2024, the Foundations distributed \$6,227,746 to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundations can be obtained by writing the Chief Financial Officer, CNU Foundations, 1 Avenue of the Arts, Newport News, Virginia 23606.

B. Basis of Presentation

The University's accounting policies conform to generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*. The University follows GASB 34 requirements for "reporting by special-purpose governments engaged only in business-type activities."

The Education and Real Estate Foundations are tax-exempt, nonprofit, nonstock corporations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement 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 Foundations’ financial information to convert the presentation from FASB format to GASB format to align with the University’s financial reporting.

C. Basis of Accounting

The University’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability 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 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 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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 Change in Net Position. The University follows GASB Statement No. 72, *Fair Value Measurement and Application*, which requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy is based on the valuation inputs used to measure the fair value of assets.

E. Capital Assets

Capital assets include land, buildings, library materials, works of art and historical treasures, equipment, improvements, infrastructure assets such as sidewalks, electrical and computer network cabling systems, intangible assets, and aggregate assets. Intangible assets include computer software, right-to-use lease assets and right-to-use subscription assets. Aggregate assets are those whose individual acquisition costs are less than the capitalization threshold for an individual asset but in aggregate are significant.

Right-to-use lease assets represent the University’s right to use an underlying asset for a lease term, and are initially measured as the sum of the following:

- Amount of the initial measurement of the related lease liability
- Lease payments made prior to the commencement of the lease term, less any lease incentives
- Initial direct costs that are ancillary charges necessary to place the lease asset into service.

Right-to-use subscription assets are defined as a contract that conveys control of the right to use another party’s information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction, and are initially measured as the sum of the following:

- The initial subscription liability amount
- Payments made to the vendor before commencement of the subscription term
- Capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the subscription term.

Capital assets, except as stated below, are defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Right-to-use lease assets are defined as having a value of \$50,000 or greater and a term of more than one year. Computer software developed or obtained for internal use is defined as having a license cost of \$10,000 or more and an estimated useful life in excess of one year. Computer software have a cost of \$50,000 or more. Library books and materials are valued at averaged actual cost of purchase for library acquisitions. Aggregate assets must have a combined threshold of \$5,000 and an individual unit threshold of \$1,000 except in the instance of firearms, cellular telephones, laptops, tablets and equipment purchased by grant funds in which individual unit cost may be below \$1,000.

Infrastructure is defined as having an initial cost of \$100,000 or more and an estimated useful life in excess of one year. Building improvements are defined as the lesser of \$100,000 or 20% of the building's cost and must enhance the use of or extend the life of the building beyond its original estimated life. Donated capital assets are recorded at acquisition value at the date of the donation. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. The cost of normal maintenance and repairs that do not add to the asset's value or materially extend its useful life are not capitalized. Plant assets, at the time of disposal, revert to the Commonwealth of Virginia for disposition. Proceeds, if any, are returned to the University.

Depreciation is calculated 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	5-50 years
Other improvements	12-30 years
Infrastructure	5-50 years
Equipment	5-20 years
Intangible Assets – Computer Software	3-5 years
Intangible Right-to-Use Assets	2-50 years
Library materials	5 years

Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Right-to-use subscription assets are amortized on a straight-line basis over the subscription term. Amortization is not allocated to the functional expense categories. Amortization expense is combined with depreciation expense in the Statement of Revenues, Expenses, and Changes in Net Position.

F. Prepaid Expenses

As of June 30, 2024, the University's prepaid expenses included items such as insurance premiums, membership dues, stipends and software maintenance for fiscal year 2025 that were paid in advance, and publication subscriptions which include initial and renewal annual subscriptions for technical and professional publications.

G. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. The inventory held by the University consists of expendable supplies and items for resale. The cost of inventories is recorded as expenditures when consumed or sold rather than when purchased.

H. Noncurrent Cash and Investments

Cash and investments that are externally restricted to construct capital and other noncurrent assets are classified as noncurrent assets in the Statement of Net Position.

I. Unearned Revenue

Unearned revenue includes amounts received for tuition, fees, and grants and contracts prior to the end of the fiscal year, but related to the period after June 30, 2024.

J. Long-term Debt and Debt Issue Costs

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

K. Lease Liability

Lease liabilities are the University's obligation to pay owners for the right to use the present service capacity of their assets. A lease liability is recorded if the present value of future minimum lease payments is \$50,000 or more, and the lease term, including renewal options is more than 12 months. The lease term includes renewal options that are reasonably certain of being exercised. Short-term leases with an initial term of 12 months or less, including all renewal options, are not recorded on the Statement of Net Position and are recognized as outflows of resources in the period to which the payments relate. Lease liabilities are measured at the present value of payments expected to be made during the lease term. Measurement of the lease liability includes the following, if required by a lease:

- Fixed payments
- Variable payments that are fixed in substance
- Amounts that are reasonably certain of being required to be paid under residual value guarantees
- The exercise price of a purchase option if it is reasonably certain that the University will exercise that option
- Payments for penalties for terminating the lease
- Any lease incentives
- Any other payments that are reasonably certain of being required based on an assessment of all relevant factors

Variable payments are not included in the measurement of the lease liability and are recognized as outflows of resources in the period to which those payments relate. Any component of the variable payments that is fixed in substance is included in the measurement of the lease liability.

For real estate leases, the present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, the University will use the lessor's internal borrowing rate. If the internal borrowing rate is unavailable, then the University will use the incremental borrowing rate based on market conditions as of the most recent quarter end compared to the commencement date. For equipment leases, the present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, then the University will use the incremental borrowing rate based on market conditions as of the most recent quarter end compared to the commencement date.

L. Subscription Liability

Subscription liabilities are defined as a contract that conveys control of the right to use another party's subscription information technology software as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which the university has a noncancelable right to use the underlying software. The subscription term also includes periods covered by an option to extend, if it is reasonably certain that the university will exercise that option. A subscription liability is recorded if the present value of future minimum payments is \$5,000 or more, and the term, including renewal options is more than 12 months. The term includes renewal options that are reasonably certain of being exercised. Short-term subscriptions with an initial term of 12 months or less, including all renewal options, are not recorded on the Statement of Net Position and are recognized as outflows of resources in the period to which the payments relate. Subscription liabilities are measured at the present value of payments expected to be made during the term. Measurement of the liability includes the following, if required by a lease:

- Fixed payments
- Variable payments that are fixed in substance
- Payments for penalties for terminating the agreement
- Any subscription incentives
- Any other payments that are reasonably certain of being required based on an assessment of all relevant factors

Variable payments are not included in the measurement of the subscription liability and are recognized as outflows of resources in the period to which those payments relate. Any component of the variable payments that is fixed in substance is included in the measurement of the subscription liability. For subscription leases, the present value of payments expected to be made during the term is calculated using the incremental borrowing rate based on market conditions as of the most recent quarter end compared to the commencement date.

M. Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick and compensatory leave earned but not taken as of June 30, 2024. The amount represents all earned vacation, sick and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University Handbook, for all Administrators holding faculty appointments, upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

N. Federal Financial Assistance Programs

The University participates in federally funded Pell Grant, Supplemental Educational Opportunity Grants and Federal Work-Study programs. In addition, the University has numerous federal research grants. Federal programs are audited in accordance with the Title 2, Part 200 of the U.S. Code of Federal Regulations *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

O. Deferred Inflows and Outflows of Resources

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

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.

P. Net Position

GASB Statement 34 requires that the Statement of Net Position report the difference between assets and liabilities as net position. GASB Statement 63 changes that terminology from *net assets* to *net position*. Net position consists of *Net Investment in Capital Assets, Restricted* and *Unrestricted*. *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciation and amortization, 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 position use are either externally imposed by creditors, grantors, or contributors or imposed by law. *Unrestricted* net position consists of net assets 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 evaluate these expenditures and apply resources on a case by case basis.

Q. Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment and interest income.

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

R. Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Change 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. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

For fiscal year 2024 The University utilized the National Association of College and University Business Officers (NACUBO) Advisory 2023-01 guidance for "Public Institutions: Accounting for and Reporting Financial Aid as a Discount".

S. Pensions

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

T. Other Post-Employment Benefits

State Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VRS Disability Insurance Program

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

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. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program 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.

Line of Duty Act Program

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

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, the University no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

U. New Accounting Pronouncements

The Governmental Accounting Standards Board Implementation Guide 2015-1, Question 7.9.8 has been superseded by Implementation Guide 2021-1, Question 5.1 effective fiscal year 2024. Question 7.9.8 used language that allowed but did not require capitalization of certain types of assets whose individual acquisition costs were less than the capitalization threshold for an individual asset even if those assets in aggregate were significant. The amended guidance via Implementation Guide 2021-1 Question 5.1 indicates that a government should capitalize assets whose individual acquisition costs are less than the capitalization threshold for an individual asset if those assets in aggregate are significant.

Changes adopted to conform to the provisions of this Implementation Guide should be applied retroactively by restating financial statements, if practicable, for all prior years presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying the Implementation Guide question should be reported as a restatement of beginning net position for the earliest period restated.

The University adopted this new accounting standard on July 1, 2023 on a retrospective basis and applied the new standard to all aggregate assets existing July 1, 2020 forward. This resulted in the beginning balance recognition of Aggregate Assets of \$2,324,120 and Accumulated Depreciation on said assets of \$777,959 on the statement of Net Position and an increase to beginning Net Position of \$1,546,161.

2. RESTATEMENT OF BEGINNING NET POSITION

Beginning net position originally reported as ending net position in the University's financial statements as of June 30, 2023 were restated to reflect the implementation of Implementation guide 2021-1, Question 5.1 for aggregate assets.

Net Position as previously reported June 30, 2023	\$	405,746,752
Change in Capital Assets-Aggregate Assets		2,324,120
Change in Accumulated Depreciation-Aggregate Assets		(777,959)
Total prior period adjustments		1,546,161
Net Position restated at June 30, 2023	\$	<u>407,292,913</u>

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement 40, *Deposit and Investment Risk Disclosures*, became effective for periods beginning after June 15, 2004. This statement amends GASB Statement 3, *Deposits with Financial Institutions*, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. GASB Statement 40 eliminates the custodial credit risk disclosures for Category 1 and 2 deposits and investments. However, this Statement does not change the disclosure requirements for Category 3 deposits and investments.

GASB Statement 40 requires the following risk disclosures:

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 of all investments subject to credit risk. The University's State Non-Arbitrage Program (SNAP) investments are subject to credit risk.

Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of the institutions. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. All investments are registered and held in the name of the University and, therefore, the University does not have any funds subject to custodial 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 that represents five percent or more of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external pools and other pooled investments are excluded from the requirement. The University does not have any funds subject to concentration of credit risk.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. This Statement requires disclosure of the terms of the investments with fair values that are highly sensitive to changes in interest rates. The University does not have investments or deposits that are sensitive to change in interest rates as of the close of business on June 30, 2024.

Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments/deposits for 2024.

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are held by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia, except for the Government Money Market Fund which is collateralized with securities held by the pledging financial institution. Cash and cash equivalents represent cash with the Treasurer, cash on hand and cash deposits including certificates of deposit, temporary investments with original maturities of three months or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP complies with all standards of GASB Statement 79. SNAP investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a Net Asset Value per share that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Summarized below are cash and cash equivalents as of June 30, 2024:

Cash and cash equivalents:

Deposits with financial institutions	\$	315,104
Treasurer of Virginia		45,161,746
Government Money Market Fund		5,550,002
Total cash and cash equivalents	\$	51,026,852

B. Investments

The Board of Visitors establishes and monitors CNU's investment strategy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500, 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.

C. Securities Lending Transactions

GASB Statement 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 their securities to brokers, dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future. Collateral held for securities lending 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 or losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Annual Comprehensive Financial Report*.

D. Fair Value Measurement

The University implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs are quoted prices for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs are unobservable inputs for an asset or liability and should be used only when relevant level 1 and level 2 inputs are unavailable.

	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	Fair Value Measurement (Per GASB 72)	
				Not Applicable to Fair Value Measurement	Level 1
Cash and Cash Equivalents and Investments					
Cash and cash equivalents:					
Government Money Market Fund	NR	\$ 5,550,002	\$ 5,550,002	\$ 5,550,002	\$ -
Investments:					
Mutual Funds and Money Market	NA	403,115	403,115	-	403,115
Total investments		403,115	403,115	-	403,115
Total cash, cash equivalents and investments		\$ 5,953,117	\$ 5,953,117	\$ 5,550,002	\$ 403,115

4. RECEIVABLES

A. Accounts receivable consisted of the following at June 30, 2024:

Student tuition and fees	\$ 188,029
Auxiliary enterprises	386,680
Federal, state, private grants and contracts	1,382,301
Other activities	83,207
Gross receivables	2,040,217
Less: Allowance for doubtful accounts	(111,167)
Net accounts receivable	\$ 1,929,050

B. Due from the Commonwealth of Virginia consisted of the following at June 30, 2024:

Virginia College Building Authority 21st Century Bonds	\$ 164,469
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The University's bookstore services contract contained an embedded lease with variable payments to the University, based on a percentage of sales. It is considered a long-term variable contract which GASB does not require recording of the receivable. The University received \$173,668 in commissions from the bookstore in fiscal year 2024.

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2024 is as follows:

CAPITAL ASSETS	Beginning <u>Balance*</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Nondepreciable capital assets:				
Land	\$ 21,039,927	\$ -	\$ -	\$ 21,039,927
Construction in progress	6,450,979	20,108,505	(2,663,453)	23,896,031
Total nondepreciable capital assets	27,490,906	20,108,505	(2,663,453)	44,935,958
Depreciable/amortizable capital assets:				
Buildings	659,125,440	1,234,229	-	660,359,669
Infrastructure	16,029,057	1,812,455	-	17,841,512
Equipment	28,332,995	2,047,320	(806,490)	29,573,825
Intangibles	4,378,285	173,800	-	4,552,085
Other improvements	40,456,173	407,898	-	40,864,071
Library materials	16,395,809	505,868	(56,505)	16,845,172
Intangible right to use subscription assets	6,875,625	2,337,331	(1,569,367)	7,643,589
Intangible right to use leased assets:				
Land	7,388,082	-	-	7,388,082
Buildings	85,210,107	496,782	(3,238,600)	82,468,289
Total depreciable/amortizable capital assets	864,191,573	9,015,683	(5,670,962)	867,536,294
Less accumulated depreciation/amortization:				
Buildings	177,822,278	14,651,399	-	192,473,677
Infrastructure	12,974,414	674,568	-	13,648,982
Equipment	20,753,730	1,742,147	(753,124)	21,742,753
Intangibles	3,875,545	147,390	-	4,022,935
Other improvements	24,246,399	1,691,788	-	25,938,187
Library materials	14,910,986	510,569	-	15,421,555
Intangible right to use subscription assets	1,893,701	2,171,851	(1,287,471)	2,778,081
Intangible right to use leased assets:				
Land	1,220,355	683,454	-	1,903,809
Buildings	15,609,770	8,183,905	(2,078,621)	21,715,054
Total accumulated depreciation/amortization	273,307,178	30,457,071	(4,119,216)	299,645,033
Depreciable/amortizable capital assets, net	590,884,395	(21,441,388)	(1,551,746)	567,891,261
Total capital assets, net	\$ 618,375,301	\$ (1,332,883)	\$ (4,215,199)	\$ 612,827,219

*Beginning Balance as restated due to the implementation of Aggregate Assets

6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30, 2024 is summarized below:

Loss on debt defeasance (see Note 9)	\$ 492,881
Pension related (see Note 12)	10,899,257
Other postemployment benefit related (see Note 13)	
Health Insurance Credit Program	1,053,059
Virginia Sickness and Disability Program (VSDP)	426,099
Group Life Insurance Program	845,139
Line of Duty Act (LODA)	245,566
Pre-Medicare Retiree Healthcare	<u>515,354</u>
Total deferred outflows of resources	<u>\$ 14,477,355</u>
Gain on debt defeasance (see Note 9)	\$ 966,366
Pension related (see Note 12)	3,818,475
Other postemployment benefit related (see Note 13)	
Health Insurance Credit Program	552,138
Virginia Sickness and Disability Program (VSDP)	469,621
Group Life Insurance Program	550,656
Line of Duty Act (LODA)	237,937
Pre-Medicare Retiree Healthcare	<u>3,033,244</u>
Total deferred inflows of resources	<u>\$ 9,628,437</u>

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2024:

Employee salaries, wages and fringe benefits payable	\$ 11,904,461
Vendors and suppliers accounts payable	10,988,329
Retainage payable	<u>891,112</u>
Total accounts payable and accrued expenses	<u>\$ 23,783,902</u>

8. NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 9), and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2024 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bonds	\$ 50,330,095	\$ -	(5,122,979)	\$ 45,207,116	\$ 4,765,000
Treasury-general obligation bonds	48,787,773	-	(2,581,987)	46,205,786	2,490,000
Installment purchases	1,384,878	998,094	(817,954)	1,565,018	300,075
Total long-term debt	100,502,746	998,094	(8,522,920)	92,977,920	7,555,075
Lease Liabilities	77,640,244	440,164	(9,334,595)	68,745,813	7,630,521
Subscription based technology arrangements	4,843,844	2,330,951	(2,656,480)	4,518,315	1,553,592
Accrued compensated absences*	4,440,611	221,726	-	4,662,337	3,068,299
Net pension liability (see Note 12)*	34,952,412	4,590,079	-	39,542,491	-
OPEB liabilities (see Note 13):				-	
Health Insurance Credit Program*	6,794,465	-	(62,757)	6,731,708	-
Group Life Insurance Program*	3,480,440	-	(47,525)	3,432,915	-
Line of Duty Act*	337,544	95,026	-	432,570	11,585
Pre-Medicare Retiree Healthcare*	3,585,032	-	(145,863)	3,439,169	272,656
Total long-term liabilities	\$ 236,577,338	\$ 8,676,040	\$ (20,770,140)	\$ 224,483,238	\$ 20,091,728

*Amounts reflect Net Additions/(Reductions)

9. LONG TERM LIABILITIES DETAIL

Long Term Debt

On behalf of The University, the Commonwealth has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*.

Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth 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 of Virginia. Pledged revenues include revenues of the University not required by law to be used for another purpose. The University issued 9(d) bonds through 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.

General Obligation Bonds	Maturity	Interest Rates	Outstanding Balance
Residential Housing:			
2010A-Warwick River Hall	2040	3.6-4.7	\$ 22,805,000
2015A-Greek Housing	2035	3.0-5.0	12,840,000
2021A Refunding of 2015A-Greek Housing	2036	2.0	760,000
2021B Refunding of 2015A-Greek Housing	2037	2.25	880,000
Dining Services:			
2015A Regattas Expansion	2035	3.0-5.0	6,100,000
2021A refunding 2015A-Regattas Expansion	2036	2.0	365,000
2021B refunding 2015A-Regattas Expansion	2037	2.25	415,000
Unamortized premium/(discount)			2,040,786
Total General Obligation Bonds			\$ 46,205,786
Revenue Bonds			
Residential Housing:			
2010A-CNU Landing	2041	4.55-5.6	\$ 3,255,000
2021A refunding 2010A-CNU Landing	2043	2.0	280,000
Parking Services:			
2014B refunding 2005A	2026	4.0	150,000
2021B refunding 2012A	2025	.48-.50	135,000
Student Union:			
2016A refunding 2006A	2027	3.0	485,000
2021B refunding 2012A	2028	.48-.94	6,310,000
Property Acquisition:			
2015B refunding 2009A	2029	3.0-5.0	3,070,000
2016A refunding 2009B	2030	3.0-5.0	1,295,000
2021B refunding 2015B	2031	1.33-1.53	1,060,000
2021B refunding 2016A	2032	1.53-1.71	385,000
Alumni House:			
2014B	2025	5.0	260,000
2021B refunding 2014B	2030	.48-1.33	1,725,000
Intercollegiate Athletics and Recreation Services:			
2014B-Athletic Fields Expansion II	2025	5.0	245,000
2014B refunding 2007A-Freeman Center			
Expansion	2026	4.0-5.0	480,000
2015B refunding 2009A-Athletic Fields			
Expansion II	2029	3.0-5.0	975,000
2015B refunding 2009A-Ratcliffe Hall Addition	2029	3.0-5.0	645,000
2016A refunding 2007A-Freeman Center			
Expansion	2038	3.0-5.0	3,425,000
2016A refunding 2009B-Freeman Center			
Expansion	2040	3.0-5.0	11,610,000
2016A refunding 2009B-Ratcliffe Hall Addition	2030	3.0-5.0	350,000
2019A-Athletic Fields Expansion II	2035	2.25-5.0	3,300,000
2021B refunding 2014A-Athletic Fields			
Expansion II	2032	.48-1.71	2,110,000
2021B refunding 2016A-Freeman Center			
Expansion	2042	2.6-2.65	1,190,000
Unamortized premium/(discount)			2,467,116
Total Revenue Bonds			\$ 45,207,116
Total Bonds Payable			\$ 91,412,902
Installment Purchases			\$ 1,565,018
Total Long-Term Debt			\$ 92,977,920

Principal and interest payments on long term debt for fiscal years subsequent to June 30, 2024 are as follows:

		Long Term Debt	
		Principal	Interest
2025	\$	7,255,000	\$ 3,110,213
2026		7,415,000	2,868,722
2027		7,675,000	2,627,233
2028		7,715,000	2,368,769
2029		6,295,000	2,095,797
2030-2034		26,835,000	7,182,496
2035-2039		19,115,000	2,764,755
2040-2044		4,600,000	204,201
Unamortized Premium		4,507,902	-
		<u>\$ 91,412,902</u>	<u>\$ 23,222,186</u>

Installment Purchases Payable

The University has entered into various installment purchase contracts to finance grounds equipment, athletic fitness equipment, property and intangible assets.

The outstanding installments purchases from direct borrowings are secured with a first priority security interest in the equipment purchased with the financing. The Commonwealth of Virginia Treasury Department's Master Equipment Lease Program (MELP) was utilized for the equipment direct borrowing. The MELP contains a cross-default provision that if one agency does not make lease payments on an appendix, all the appendices under the MELP contract will be in default. The MELP also contains a provision that in the event of non-appropriation for any or all payments due under the MELP, the contract terminates.

Principal and interest payments on installment purchases for fiscal years subsequent to June 30, 2024 are as follows:

		Installment Purchases	
		Principal	Interest
2025	\$	300,075	\$ 37,384
2026		263,419	29,482
2027		271,365	21,536
2028		250,581	13,405
2029		160,449	5,899
2030-2034		318,000	10,433
2035-2039		1,129	4
		<u>\$ 1,565,018</u>	<u>\$ 118,143</u>

Lease Liability

The University leases certain vehicles, office space, academic space, laboratory space, and residential housing. Lease terms are typically 2 to 15 years and may contain rent escalation clauses and renewal options ranging from 3 to 5-year intervals. Discount rates for leases ranged from 2.53%-4.75%. See Note 1-K for details on determining discount rates.

The University's Chick-fil-A contract contains an embedded lease with variable payments from the University to Chick-fil-A, based on a percentage of sales. It is considered a long-term variable contract which GASB does not require recording of the payable. The University paid \$58,972 to Chick-fil-A in royalties in fiscal year 2024.

Principal and interest payments on lease liabilities for fiscal years subsequent to June 30, 2024 are as follows:

Lease Liability			
	Principal	Interest	
2025	\$ 7,630,521	\$	1,881,130
2026	7,950,206		1,813,953
2027	8,205,020		1,560,153
2028	8,470,639		1,295,574
2029	8,708,474		1,022,314
2030-2034	27,780,953		1,408,893
	<u>\$ 68,745,813</u>	<u>\$</u>	<u>8,982,017</u>

Subscription Liability

The University has certain contracts for information technology subscriptions that meet the requirements for GASB 96 recognition of a subscription liability. Subscription terms are typically 2 to 8 years. Discount rates for the subscriptions ranged from 2.038%-6.65%. See Note 1-L for details on determining discount rates.

The University had variable subscription payments totalling \$94,928 for fiscal year 2024. Variable payments are not included in the measurement of the subscription liability and are recognized as outflows of resources in the period to which those payments relate.

Principal and interest payments on subscription liabilities for fiscal years subsequent to June 30, 2024 are as follows:

Subscription Liability			
	Principal	Interest	
2025	\$ 1,553,592	\$	163,896
2026	1,251,192		107,233
2027	672,148		64,088
2028	498,368		39,773
2029	197,362		21,140
2030-2034	345,653		18,163
	<u>\$ 4,518,315</u>	<u>\$</u>	<u>414,293</u>

Defeasance of Debt

There were no General Obligation Bonds or Revenue Refunding Bonds refunding issuances during fiscal year 2024. At June 30, 2024, \$2,935,000 in defeased debt or bonds remain outstanding.

10. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that unexpended appropriations shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursement.

The following is a summary of state appropriations received by the University including all supplemental appropriations and reversions:

2023 Special Session I, Chapter 2	
Educational and general programs	\$43,832,869
Student financial assistance	7,534,030
Supplemental adjustments:	
Other central appropriation adjustments	5,563,174
Affordable Access Funds	2,383,000
Available Access Funding student financial assistance	513,000
Financial aid adjustments	229,980
Tech Talent Investment Program Award	<u>751,702</u>
Adjusted Appropriation	<u><u>\$60,807,755</u></u>

11. COMMITMENTS

At June 30, 2024, the University was committed to subscription-based information technology contracts in the amount of \$550,702 and construction contracts totaling approximately \$74,740,672 of which \$56,101,562 was unexpended.

12. RETIREMENT PLANS

General Information about the Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Same as Plan 1.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Members are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund. Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	Eligible Members Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Same as Plan 1.	Eligible Members Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Full-time permanent, salaried state employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <i>*Non-Eligible Members</i>

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.		Some members are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those members eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State members, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit <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. <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.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <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. <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. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.

Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction 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 VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. VaLORS: The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.	Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Not applicable.
Normal Retirement Age VRS: Age 65. VaLORS: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. VaLORS: Same as Plan 1.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable.

VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	VaLORS: Same as Plan 1.	<i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. VaLORS: Age 50 with at least five years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit. VaLORS: Same as Plan 1.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <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. 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. <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: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.	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%. <i>Eligibility:</i> Same as Plan 1. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable. <i>Eligibility:</i> Same as Plan 1 and Plan 2. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.

• The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each Agency's contractually required employer contribution rate for the fiscal year ended June 30, 2024 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rates which were based on actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$5,713,079 and \$5,327,263 for the years ended June 30, 2024 and June 30, 2023, respectively. Contributions from the University to the VaLORS Retirement Plan were \$404,711 and \$328,104 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$73.0 million to the VRS State plan and \$6.6 million to VaLORS. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and are classified as special employer contributions. The University's proportionate share for the VRS State Employee Retirement Plan and for the VaLORS Retirement Plan are reflected in the Other non-operating revenues (expenses) line item as non-operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

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

At June 30, 2024, the University reported a liability of \$37,202,969 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$2,339,522 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plans for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the University's proportion of the VRS State Employee Retirement Plan was 0.73528% as compared to 0.72129% at June 30, 2022. At June 30, 2023, the University's proportion of the VaLORS Retirement Plan was 0.36164% as compared to 0.35026% at June 30, 2022.

For the year ended June 30, 2024, the University recognized pension expense of \$3,476,251 for the VRS State Employee Retirement Plan and \$597,674 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2022 and June 30, 2023, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VRS Deferred Outflows of Resources	VRS Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,613,603	\$ 1,074,673
Net difference between projected and actual earnings on pension plan investments	-	2,603,709
Change in assumptions	491,475	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	593,186	40,423
Employer contributions subsequent to the measurement date	5,713,079	
Total	<u>\$ 10,411,343</u>	<u>\$ 3,718,805</u>
	VaLORS Deferred Outflows of Resources	VaLORS Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,683	\$ -
Net difference between projected and actual earnings on pension plan investments	-	99,670
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,520	-
Employer contributions subsequent to the measurement date	404,711	-
Total	<u>\$ 487,914</u>	<u>\$ 99,670</u>

\$5,713,079 for the VRS Retirement Plan and \$404,711 for the VaLORS Retirement Plan reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2025. 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:

For the year ending	VRS Retirement Plan	VaLORS Retirement Plan
June 30, 2025	\$ 430,286)	\$ 9,707
June 30, 2026	\$ (1,599,421)	\$ (125,273)
June 30, 2027	\$ 2,914,983	\$ 95,454
June 30, 2028	\$ 94,183	\$ 3,645
June 30, 2029	\$ -	\$ -

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2023, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 28,411,528	\$ 2,577,980
Plan Fiduciary Net Position	\$ 23,351,827	\$ 1,931,061
Employer's Net Pension Liability (Asset)	<u>\$ 5,059,701</u>	<u>\$ 646,919</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.19%	74.91%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>8.25%</u>

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, 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 102% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 102% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$61,995,333	\$37,202,969	\$16,453,671

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	\$3,576,645	\$ 2,339,522	1,328,928

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 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The university reported \$ 319,608 in payables to VRS.

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in Optional Retirement Plans, as authorized by Section 51.1-126 of the *Code of Virginia*, rather than the VRS retirement plan. These Optional Retirement Plans are defined contribution plans to which the University contributes an amount established by statute. University employees currently participate in both of these plans to include: Deferred Compensation Plan (DCP) and Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF). The employer contribution rates are 10.4% for Plan 1 participants (hired prior to July 1, 2010) and 8.5% for Plan 2 participants (hired on or after July 1, 2010), with Plan 2 participants continuing to contribute 5%.

Individual contracts issued under the plan provide for full and immediate vesting of both the University and the participant's contributions. Total pension costs under these Optional Retirement Plans were approximately \$2,848,631 for the year ended June 30, 2024. Contributions were calculated using the base salary amount of approximately \$30,855,537.

Deferred Compensation

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's Deferred Compensation Plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2023 was a maximum match up to \$20 per pay period or \$40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately \$222,394 for fiscal year 2024.

13. POSTEMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Retiree Health Insurance Credit Program, Virginia Sickness and Disability Program, Group Life Insurance Program and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Program, which is administered by the Virginia Department of Human Resource Management.

General Information about the State Employee Health Insurance Credit Program

Plan Description

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

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The State Employee Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • <i>At Retirement:</i> For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <i>Disability Retirement:</i> For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. For State police 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. For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

Contributions

The contribution requirement for active employees is governed by § 51.1-1400(D) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each Agency's contractually required employer contribution rate for the year ended June 30, 2024, was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was the approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were \$808,615 and \$753,678 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$8.5 million which as applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Our proportionate share is reflected in the Other non-operating revenues (expenses) line item as nonoperating revenue on the Statement of Revenues, Expenses, and Changes in Net Position of our financial statements.

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

At June 30, 2024, the University reported a liability of \$6,731,708, for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2023 and the total VRS State Employee Health Insurance Credit Program OPEB Liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2023, the University's proportion of the VRS State Employee Health Insurance Credit Program was 0.81932% as compared to 0.82943% at June 30, 2022.

For the year ended June 30, 2024, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$1,094,595. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 155	\$ 430,019
Net difference between projected and actual earnings on State HIC OPEB program investments	17,220	-
Change in assumptions	155,913	-
Changes in proportionate share and differences between actual and expected contributions	47,194	122,119
Employer contributions subsequent to the measurement date	808,615	
Total	\$ 1,029,097	\$ 552,138

\$808,615 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30

June 30, 2025	\$ (50,437)
June 30, 2026	\$ (106,552)
June 30, 2027	\$ (64,026)
June 30, 2028	\$ (69,624)
June 30, 2029	\$ (17,055)
Thereafter	\$ -

Actuarial Assumptions

The total State Employee HIC OPEB Liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation –	
General state employees	3.50% – 5.35%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.00%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63 and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS State Employee Health Insurance Credit Program are as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	\$ 1,102,220
Plan Fiduciary Net Position	280,599
State Employee Net HIC OPEB Liability (Asset)	<u>\$ 821,621</u>

Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	25.46%
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The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50% asset allocation.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 108% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

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

The following presents the University's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State agency's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 7,601,501	\$ 6,731,708	\$ 5,985,858

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2023-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 State Employee HIC OPEB Plan

The University reported \$30,377 in payables to the VRS State Employee HIC OPEB Plan.

General Information about the VRS Disability Insurance Program

Plan Description

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

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

VSDP PLAN PROVISIONS
Eligible Employees The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
Benefit Amounts The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees: • <i>Leave</i> – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • <i>Short-Term Disability</i> – 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. • <i>Long-Term Disability (LTD)</i> – 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. • <i>Income Replacement Adjustment</i> – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • <i>VSDP Long-Term Care Plan</i> – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.
Disability Insurance Program (VSDP) Plan Notes: • Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.

- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

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

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2024 was 0.61% of covered employee compensation. This rate was the General Assembly approved rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the entity were \$243,843 and \$222,723 for the years ended June 30, 2024 and June 30, 2023, respectively.

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

At June 30, 2024, the entity reported a liability (asset) of \$2,315,861 for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2023 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The University's proportion of the Net VSDP OPEB Liability (Asset) was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the University's proportion was 0.73315 % as compared to 0.72518 % at June 30, 2022.

For the year ended June 30, 2024, the University recognized VSDP OPEB expense of \$39,128. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 166,914	\$ 318,466
Net difference between projected and actual earnings on VSDP OPEB program investments	-	63,496
Change in assumptions	7,946	25,466
Changes in proportionate share	7,396	62,013
Employer contributions subsequent to the measurement date	243,843	-
Total	<u>\$ 426,099</u>	<u>\$ 469,621</u>

\$243,843 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

June 30, 2025	\$ (121,685)
June 30, 2026	\$ (140,708)
June 30, 2027	\$ 1,009
June 30, 2028	\$ (11,387)
June 30, 2029	\$ (73)
Thereafter	\$ (14,522)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation	
General state employees	3.50% – 5.35%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	\$ 318,901
Plan Fiduciary Net Position	634,779
VSDP Net OPEB Liability (Asset)	<u>\$ (315,878)</u>

Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	199.05%
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The total VSDP OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB asset is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
	Inflation		<u>2.50%</u>
	** Expected arithmetic nominal return		<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 109% of the actuarially determined contribution rate. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of The VSDP Net OPEB Liability (Asset)	\$ 2,143,191	\$ 2,315,861	\$ 2,468,074

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-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 VSDP OPEB Plan

The University reported \$11,167 in payables to the VSDP OPEB Plan.

General Information about the Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

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

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

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2024, was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$386,020 and \$357,130 for the years ended June 30, 2024, and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Our proportionate share is reflected in the other non-operating revenues (expenses) line item as nonoperating revenue on the Statement of Revenues, Expenses, and Changes in Net Position of our financial statements.

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

At June 30, 2024, the participating employer reported a liability of \$ 3,432,915 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.28624% as compared to 0.28905% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$171,059. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 342,865	\$ 104,206
Net difference between projected and actual earnings on GLI OPEB program investments	-	137,954
Change in assumptions	73,380	237,845
Changes in proportionate share	42,874	70,651
Employer contributions subsequent to the measurement date	386,020	-
Total	\$ 845,139	\$ 550,656

\$386,020 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

June 30, 2025	\$ (16,337)
June 30, 2026	\$ (147,519)
June 30, 2027	\$ 43,973
June 30, 2028	\$ 307
June 30, 2029	\$ 28,039
Thereafter	\$ -

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation –	
General state employees	3.50% – 5.35%
Teachers	3.50% – 5.95%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.00%
Locality - General employees	3.50% – 5.35%
Locality – Hazardous Duty employees	3.50% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – Largest 10 Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP2020 rates

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	2,707,739
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%
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The total GLI OPEB Liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
	Inflation		<u>2.50%</u>
** Expected arithmetic nominal return			<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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

The following presents the employer's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 5,088,653	\$ 3,432,915	\$ 2,094,240

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2023-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 Group Life Insurance OPEB Plan

The university reported \$35,046 in payables to the Group Life Insurance OPEB Plan.

General Information about the Line of Duty Act Program

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

- *Health Insurance* – The LODA program provides health insurance benefits.
 - 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.

Contributions

The contribution requirements for the LODA Program are governed by § 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2024, was \$830.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$17,451 and \$14,139 for the years ended June 30, 2024, and June 30, 2023, respectively.

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

At June 30, 2024, the entity reported a liability of \$432,570 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2023 and the total LODA OPEB Liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, the entity's proportion was 0.10790% as compared to 0.08919% at June 30, 2022.

For the year ended June 30, 2024, the entity recognized LODA OPEB expense of \$58,777. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,074	\$ 81,453
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,265
Change in assumptions	96,079	89,198
Changes in proportionate share	108,962	66,021
Employer contributions subsequent to the measurement date	17,451	
Total	\$ 245,566	\$ 237,937

\$17,451 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30

June 30, 2025	\$	(1,341)
June 30, 2026	\$	(1,301)
June 30, 2027	\$	1,806
June 30, 2028	\$	1,461
June 30, 2029	\$	(2,101)
Thereafter	\$	(8,346)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00% – 4.75%
Ages 65 and older	5.25% – 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.86%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest 10 Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest 10 Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	\$ 406,211
Plan Fiduciary Net Position	5,311
LODA Net OPEB Liability (Asset)	<u>\$ 400,900</u>

Plan Fiduciary Net Position as a Percentage
of the Total LODA OPEB Liability

1.31%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2023.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.86%. 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, 2023, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.86%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.86% or one percentage point higher 4.86% than the current rate:

	1.00% Decrease (2.86%)	Current Discount Rate (3.86%)	1.00% Increase (4.69%)
Covered employer's proportionate share of the LODA Net OPEB Liability	\$ 485,014	\$ 432,570	\$ 388,204

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer'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 covered employer'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	\$ 366,834	432,570	514,028

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2023-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the Pre-Medicare Retiree Healthcare Program

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 benefits 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 in) coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage/COBRA), and,
- You enroll no later than 31 days from his or her 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 in) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 3,551 retirees and 92,780 active employees in the program as of June 30, 2023. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2023 (one year prior to the end of the fiscal year). The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.75 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, 2023 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.80 years
Discount Rate	3.65%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 7.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females

Post-Disablement: Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years

Beneficiaries and Survivors: Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2023.

Changes of Assumptions: There were not any changes in assumption since the June 30, 2022, measurement date. The following remained constant since the prior measurement date:

- Spousal Coverage – rate remained at 20 percent
- Retiree Participation – rate remained at 35 percent

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

The trend rates were updated based on economic conditions as of June 30, 2023. Additionally, the discount rate was increased from 3.54 percent to 3.65 percent based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2023.

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

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

On June 30, 2024, the employer reported a liability of \$3,439,169 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$351.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. On June 30, 2023, the participating employer's proportion was 0.97726% as compared to 0.98648% on June 30, 2022. For the year ended June 30, 2024, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of \$1,630,046.

On June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
(1) Difference between actual and expected	\$ 88,219	\$ 831,365
(2) Changes in assumptions	-	2,105,734
(3) Changes in proportion	154,479	96,145
(4) Rounding Adjustment	-	-
(5) Sub Total	<u>242,698</u>	<u>3,033,244</u>
(6) Amounts associated with transactions subsequent to the measurement date	<u>272,656</u>	<u>N/A</u>
(7) Total	<u>\$ 515,354</u>	<u>\$ 3,033,244</u>

Deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date were \$272,656. These amounts will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year End June 30:

June 30, 2025	\$	(1,283,600)
June 30, 2026	\$	(762,517)
June 30, 2027	\$	(480,277)
June 30, 2028	\$	(242,754)
June 30, 2029	\$	(21,398)
Thereafter	\$	-

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.65 percent, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65 percent) or one percentage point higher (4.65 percent) than the current rate:

	1.00% Decrease (2.65%)	Current Rate (3.65%)	1.00% Increase (4.65%)
OPEB Liability	\$ 3,642,484	\$ 3,439,169	\$ 3,245,107

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 7.75 percent decreasing to 4.50 percent, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.75 percent decreasing to 3.50 percent) or one percentage point higher (8.75 percent decreasing to 5.50 percent) than the current rate:

	1% Decrease (6.75% decreasing to 3.50%)	Trend Rates (7.75% decreasing to 4.50%)	1% Increase (8.75% decreasing to 5.50%)
OPEB Liability	\$ 3,128,674	\$ 3,439,169	\$ 3,799,369

14. CONTINGENCIES

Grants and Contracts

Christopher Newport University has received federal, state and private 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 laws, including the expenditure of resources for eligible purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with various federal regulations issued by the Office of Management and Budget. Failure to comply with certain systems requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2024, the University estimates that no material liabilities will result from such audits or questions.

15. 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 athletes; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. For athletes, the University maintains insurance through a third-party provider. The University's insurance premiums for the fiscal year ended June 30, 2024 totaled \$929,105. Information relating to the Commonwealth's insurance plans is available at the statewide level in the *Commonwealth's Annual Comprehensive Financial Report*.

16. 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 Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges 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 in the federal government grants and contracts total on the Statement of Revenues, Expenses, and Changes in Net Position. The activity is included in the operating section of the Statement of Cash Flows. For the fiscal year ended June 30, 2024 cash used totaled \$10,370,873 for Direct Student Loans and \$8,360,636 for Direct Parent PLUS Loans.

17. SUBSEQUENT EVENTS

There are no subsequent events for the University requiring disclosure.

18. COMPONENT UNITS

Cash and Investments

The Education Foundation and the Real Estate Foundation consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The following information is provided with respect to the credit risk associated with the Foundations' cash and cash equivalents and investments at June 30, 2024.

Financial instruments that potentially subject the Foundations to concentrations of credit risk consist of cash balances and overnight investments. The Foundations maintain operating accounts in excess of the \$250,000 limit of federal insurance with financial institutions. In addition, the Foundations maintain cash balances with brokers that are not insured by the Federal Deposit Insurance Corporation (FDIC).

Other investments were held in accounts with brokerage firms to reduce the Foundations' risk. The balances are insured by the Securities Investor Protection Corporation (SIPC) up to a maximum of \$500,000. At times, balances in the Foundations' cash accounts may exceed the SIPC insured levels.

Investments are carried at their estimated fair value determined at the date of the combined statement of financial position. Because some investment valuations at June 30 are not available on a timely basis, certain private equity and hedge funds are valued using March 31 valuations, adjusted for any purchase or sale activity in the fourth fiscal quarter. In addition, due to the absence of readily determinable market values, management estimates fair value based on a broad range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, comparable private and public investments used to determine enterprise value, overall financial condition, current and projected operating performance and discounted cash flow models. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Management believes the carrying value of these investments is a reasonable estimate of their fair value at June 30. Income from investments, including realized gains and losses, is accounted for as an increase or decrease in with or without donor restriction net assets, depending upon the nature of donor restrictions. Investment expenses included in other University support on the combined statement of activities for June 30, 2024 was \$28,348.

Summarized below are Education Foundation investments recorded at estimated fair value:

Mutual Funds	\$ 4,859,400
Private Equity Funds	19,845,925
Hedge Funds	<u>41,115,080</u>
Total investments	<u>\$ 65,820,405</u>

Education Foundation investments are recorded on the statement of financial position as follows:

Without Donor Restrictions	\$ 2,900,311
With Donor Restrictions	<u>62,920,094</u>
Total investments	<u>\$ 65,820,405</u>

Fair Value of Financial Instruments

The Foundations follow the provisions of FASB ASC 820-10, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

ASC 820-55 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Foundations have no Level 2 financial instruments.

The following table presents the financial instruments carried at fair value on a recurring basis as of June 30, 2024 by ASC 820-55 valuation hierarchy defined above:

	Level 1	Level 3	Total Fair Value
Assets:			
Mutual funds	\$ 4,859,400	\$ -	\$ 4,859,400
Charitable remainder trusts	-	2,086,201	2,086,201
Total assets in the fair value hierarchy	<u>\$ 4,859,400</u>	<u>\$ 2,086,201</u>	6,945,601
Investments measured at net asset value			<u>60,961,005</u>
Total assets at fair value			<u>\$ 67,906,606</u>

Following is a description of the Foundations' valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 3 consists of charitable remainder trusts. Investments measured at net asset value are valued based on the net asset value reported by such investment vehicles.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundations believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The fair value measurements of investments in investment vehicles that calculate net asset value as of June 30, 2024 are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Equity	\$ 20,123,025	\$ -	Quarterly	105 Days
Hedged Equity	10,138,586	-	Quarterly	105 Days
Absolute Strategies	8,303,269	753,828	Quarterly	105 Days
Fixed Income	3,024,590	-	Quarterly	105 Days
Private Investments	18,957,725	11,566,522	Not Applicable	None
Private Real Estate	413,810	-	Not Applicable	None
Total	<u>\$ 60,961,005</u>	<u>\$ 12,320,350</u>		

The Global Equity asset class seeks to outperform the broad equity markets over a full market cycle by providing relative downside protection and participating in upward-moving markets. That said, it should be expected that the strategies implemented in this asset class are generally unhedged. Capital is allocated across the globe in those countries, market capitalizations and asset classes that offer value with a primary objective of capital appreciation.

The Hedged Equity asset class seeks to generate equity-like returns with significantly less volatility over a full market cycle. Managers generally maintain long and short positions, primarily in equities across sectors, geographies and market capitalizations.

The Absolute Strategies asset class seeks to generate absolute investment returns with low volatility. Generally speaking, there are two primary components to the asset class: credit and multi-strategy. Credit managers include publicly and privately traded credit and credit-related securities. Multi-strategy managers allocate capital opportunistically across a broad array of investments including equities, credit, commodities, structured products, currencies, etc.

The Fixed Income asset class seeks to exhibit a low correlation with other asset classes and serve as a hedge against inflation. Investments may include, but are not limited to, U.S. dollar-denominated bonds; including U.S. Treasury and Agency securities, mortgage-backed and asset-backed securities; U.S. and non-U.S. domiciled corporations; and sovereign and supranational issuers.

The Private Investments and Real Estate asset classes seek to provide a portfolio with diversification and an illiquidity premium. Investment opportunities are sought within the sub-strategies of private equity, private real estate and private real assets.

The following table is a roll forward of the combined statements of financial position amounts for charitable remainder trusts classified by the Foundations within Level 3 of the valuation hierarchy defined above:

Fair value, beginning of year	\$ 1,885,776
Realized and unrealized gains (losses)	<u>200,425</u>
Fair value, end of year	<u>\$ 2,086,201</u>

The carrying amounts of cash and cash equivalents, accounts payable, other current liabilities and other liabilities approximate fair value because of the short maturity of these instruments.

Pledges Receivable

The Education Foundation has on-going fundraising campaigns to benefit the University. The pledges receivable are unconditional. At June 30, 2024, pledges receivable are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Receivable in less than one year	\$ 5,013	\$ 2,924,569	\$ 2,929,582
Receivable in one to five years	-	4,429,934	4,429,934
Receivable in more than five years	-	6,094,832	6,094,832
Total unconditional pledges	5,013	13,449,335	13,454,348
Less discount to net present value	-	(2,619,498)	(2,619,498)
Less allowances for uncollectible pledges receivable	(919)	(371,986)	(372,905)
Net unconditional pledges receivable	\$ 4,094	\$ 10,457,851	\$ 10,461,945

The table below presents information about the changes in pledges receivable for the year ended June 30, 2024:

Beginning balance	\$ 13,122,369
New pledges receivable	2,973,781
Collections	(2,559,595)
Write-offs	(82,207)
Ending balance	\$ 13,454,348

The carrying amounts of pledges receivable approximate fair value because they have been discounted to their net present value. After initial measurement at fair value, the discount rate is not changed and the pledge is valued in subsequent years at net realizable value. The discount rate employed by the Foundations for new pledges during the years ended June 30 are as follows:

2024	8.50%
2023	8.00%
2022	3.50%
2020-2021	3.25%
2019	5.50%
2018	4.75%
2017	4.00%
2016	3.50%
2012-2015	3.25%
Prior to 2012	6.00%

Property and Equipment

Property and equipment for 2024 are summarized as follows:

	Education Foundation	Real Estate Foundation
Land	\$ -	\$ 21,785,033
Buildings	-	140,614,164
Furniture and equipment	191,016	1,847,027
Held for sale	19,600	-
Works of Art/Historical Treasures	954,744	
Construction in progress	-	12,710
	<u>\$ 1,165,360</u>	<u>\$ 164,258,934</u>
Less accumulated depreciation	<u>(191,016)</u>	<u>(49,933,325)</u>
	<u>\$ 974,344</u>	<u>\$ 114,325,609</u>

Education Foundation depreciation charged to expense totaled \$15,448 in 2024. Real Estate Foundation depreciation charged to expense totaled \$4,240,324 in 2024.

Lines of Credit

The Real Estate Foundation has available two lines of credit facilities of \$4,500,000 and \$2,000,000 with TowneBank. The lines of credit mature in August 2025. The lines are unsecured and are subject to certain financial covenants. Borrowings under these facilities accrue interest at the *Wall Street Journal* Prime Rate less 0.25% with a minimum rate of 4.50%. This amount was 8.25% at June 30, 2024. The credit facilities may be used to finance any lawful activity of the Foundations.

Long Term Debt

Notes Payable

Notes payable for the Real Estate Foundation at June 30, 2024 consist of the following:

Old Point National Bank, collateralized by deed of trust on leasehold interest and assignment of rents and leases, accruing interest is at the *Wall Street Journal* (WSJ) prime rate less 0.25% with a maximum rate of 5.75%, adjusted annually on August 1. The interest rate at June 30, 2024 was 5.75%. Principal payments of \$12,815 are due monthly and the note matures August 2029. \$ 651,323

Towne Bank, collateralized by deed of trust on 12270 Warwick Boulevard, interest due monthly at the WSJ prime rate plus 0.5%, subject to a maximum rate of 6.5%. The interest rate at June 30, 2024 was 6.5%. Principal and interest payments of \$14,238 are due monthly with the balance due July 2032. 1,422,170

CGA Mortgage Capital, collateralized by a deed of trust on leasehold interest and assignment of rents and leases on Riverside Medical Center located at 12422 Warwick Boulevard and 4 and 8 Glendale Road, interest due monthly at 4.74%. Principal and interest payments of \$74,875 are due monthly with the balance due December 2033. 6,862,880

Atlantic Union Bank, unsecured, interest due monthly at the WSJ prime rate minus 0.25%, subject to a maximum rate of 5.50%. The interest rate at June 30, 2024 was 5.50%. Principal is due annually each August beginning in 2016 at various amounts between \$42,000 and \$52,600, balance is due June 2025. 667,700

Towne Bank, collateralized by deed of trust on leasehold interest and assignment of rents and leases on Hidenwood Shopping Center located at 2 Hidenwood Boulevard, 12423, 12435, and 12437 Warwick Boulevard, interest due monthly at 3.50%. Monthly principal and interest payments of \$55,966, balance due November 2043. 9,033,421

Atlantic Union Bank, collateralized by 12386 Warwick Boulevard, interest due monthly at 3.99%. Equal consecutive monthly payments of principal plus interest over a 25-year amortization period. Balance is due November 2028. 1,867,093

Less unamortized debt issuance costs (400,535)

Total \$20,104,052

Bonds Payable

In March 2001, the Real Estate Foundation entered into an agreement with the Economic Development Authority of the County of James City, Virginia, under which the Authority issued \$8.0 million of variable rate bank-qualified tax-exempt bonds. The Foundation used the proceeds from the bonds to finance the acquisition of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. The bonds were refinanced in June 2016 at a fixed rate of 2.68%. Principal payments of \$6,000 are paid monthly and interest due is paid monthly. At June 30, 2024, the balance outstanding on the bonds was \$2,054,119. The bonds mature in June 2026.

In July 2004, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$26.9 million of variable rate bank-qualified tax-exempt bonds. The Foundation used the proceeds from the bonds to finance the acquisition of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. In January 2020, the bonds were refinanced at a rate of 2.53% and an additional \$2,300,000 in debt was added. Principal and interest payments of \$135,136 are paid monthly. An additional payment of \$700,000 was made during the year ended June 30, 2024. At June 30, 2024, the balance outstanding on the bonds was \$14,211,349. The bonds mature November 2035.

In August 2006, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$17.5 million of tax-exempt adjustable mode educational facilities revenue bonds. The Foundation used the proceeds from the bonds to refinance indebtedness of the Foundations in connection with the expansion and improvement of various properties in the immediate vicinity of the University deemed essential for its enhancement and future expansion. In June 2015, the bonds were refinanced with the Economic Development Authority of Newport News and amended in August 2023 at a variable interest rate of 65% of IBOR plus 1.5% with a cap of 3.82%. The interest rate at June 30, 2024 was 3.82%. Principal payments vary and are paid annually in August and interest due is paid quarterly. At June 30, 2024, the balance outstanding on the bonds was \$3,350,587. The bonds mature in August 2036.

In November 2013 and amended in July 2023, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$41.29 million of tax-exempt adjustable mode educational facilities revenue bonds. The Foundation used the proceeds from the bonds to refinance indebtedness of the Foundations in connection with Rappahannock Residence Hall. The interest rate on the bonds is 65% of AMERIBOR-Term 30 plus 1.5%. The interest rate at June 30, 2024 was 4.98%. Beginning in December 2023, monthly principal payments are \$93,000. Beginning in December 2028, monthly principal payments are \$119,000. Beginning in December 2033, monthly principal payments are \$152,500. Beginning in December 2038, monthly principal payments are \$194,500. At June 30, 2024, the balance outstanding on the bonds was \$28,086,465. The bonds mature in November 2043.

In December 2019, the Real Estate Foundation entered into an agreement with the Industrial Development Authority of the City of Newport News, Virginia, under which the Authority issued \$14.0 million of tax-exempt adjustable mode educational facilities revenue bonds. The Foundation used the proceeds from the bonds to finance construction and related costs of the Foundation in connection with the new President's Residence Hall. The interest rate on the bonds is 2.90%. Principal and interest are payable in monthly installments of \$66,117. At June 30, 2024, the balance outstanding on the bonds was \$10,758,504. The bonds mature in December 2045.

In August 2022, the Real Estate Foundation refinanced their existing bonds payable originally with the Economic Development Authority of New Kent County with the Economic Development Authority of the City of Newport News for \$6.88 million. Under terms of the new agreement, interest is payable at a fixed rate of 3.44%. The bonds mature in December 2033. Principal and interest are payable in monthly installments of 61,728. At June 30, 2024, the balance outstanding on the bonds was \$5,925,641.

In August 2022, the Real Estate Foundation entered into an agreement with the Economic Development Authority of the City of Newport News for approximately \$22.3 million of tax-exempt adjustable mode educational facilities revenue bonds for a new University administrative building. Under the terms of the agreement, interest is payable at a fixed rate of 3.48% until August 2042. After August 2042, the interest rate will change to 79% of I/R Swap rate plus 1.15%. The bonds mature in August 2054. Payments begin in September 2024. Principal and interest are payable in monthly installments beginning September 2024 of \$100,457. At June 30, 2024, the balance outstanding on the bonds after first advancement was \$21,243,495.

Unamortized debt issuance costs for bonds payable at June 30, 2024 was \$1,858,788.

The Real Estate Foundation has entered into various letters of credit and credit line deeds of trust as additional security in addition to the assignment of rents and leases for each of the bond issuances. In addition, some of the note and bond payable agreements contain certain financial covenants.

Notes and bond principal maturities for the succeeding fiscal years ending June 30 are as follows:

2025	8,457,268
2026	6,955,149
2027	5,140,477
2028	5,275,758
2029	6,960,095
Thereafter	75,403,752
	<u>\$ 108,192,499</u>

Subsequent Events

There are no subsequent events for the Foundations that require disclosure pursuant to the FASB ASC.

Required Supplementary Information
Cost-Sharing Employer Plans –
VRS State Employee Retirement Plan and VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2024

Schedule of Christopher Newport University's Share of Net Pension Liability					
VRS State Employee Retirement Plan					
For the Measurement Dates of June 30, 2014 through 2023					
	Proportion of Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability (Asset)	Employer's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2023	0.74%	\$ 37,202,969	\$ 36,841,376	100.98%	82.19%
2022	0.72%	\$ 32,735,170	\$ 33,327,870	98.22%	83.26%
2021	0.72%	\$ 26,048,587	\$ 31,078,631	83.82%	86.44%
2020	0.72%	\$ 52,080,385	\$ 31,520,533	165.23%	72.15%
2019	0.72%	\$ 45,484,379	\$ 29,823,358	152.51%	75.13%
2018	0.69%	\$ 37,321,000	\$ 28,244,448	132.14%	77.39%
2017	0.68%	\$ 39,863,000	\$ 27,041,060	147.42%	75.33%
2016	0.67%	\$ 44,560,000	\$ 26,521,211	168.02%	71.29%
2015	0.66%	\$ 40,702,000	\$ 25,863,124	157.37%	72.81%
2014	0.62%	\$ 34,952,000	\$ 23,839,726	146.61%	74.28%

Schedule of Christopher Newport University's Share of Net Pension Liability					
VaLORS Retirement Plan					
For the Measurement Dates of June 30, 2014 through 2023					
	Proportion of Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability (Asset)	Employer's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2023	0.36%	\$ 2,339,522	\$ 1,333,756	175.41%	74.91%
2022	0.35%	\$ 2,217,242	\$ 1,044,256	212.33%	74.41%
2021	0.27%	\$ 1,431,924	\$ 936,703	152.87%	78.18%
2020	0.27%	\$ 2,138,761	\$ 1,005,516	212.70%	65.74%
2019	0.26%	\$ 1,791,650	\$ 983,656	182.14%	68.31%
2018	0.27%	\$ 1,697,000	\$ 961,097	176.57%	69.56%
2017	0.26%	\$ 1,720,000	\$ 976,185	176.20%	67.22%
2016	0.29%	\$ 2,266,000	\$ 1,005,098	225.45%	61.01%
2015	0.27%	\$ 1,911,000	\$ 903,094	211.61%	62.64%
2014	0.24%	\$ 1,621,000	\$ 842,938	192.30%	63.05%

Schedule of Employer Contributions VRS State Employee Retirement Plan For the Years Ended June 30, 2015 through 2024					
Year Ended June 30	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution*	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 5,713,079	\$ 5,713,079	\$ -	\$ 39,509,537	14.46%
2023	\$ 5,327,263	\$ 5,327,263	\$ -	\$ 36,841,376	14.46%
2022	\$ 4,819,210	\$ 4,819,210	\$ -	\$ 33,327,870	14.46%
2021	\$ 4,493,970	\$ 4,493,970	\$ -	\$ 31,078,631	14.46%
2020	\$ 4,261,576	\$ 4,261,576	\$ -	\$ 31,520,533	13.52%
2019	\$ 4,032,118	\$ 4,032,118	\$ -	\$ 29,823,358	13.52%
2018	\$ 3,810,176	\$ 3,810,176	\$ -	\$ 28,244,448	13.49%
2017	\$ 3,647,839	\$ 3,647,839	\$ -	\$ 27,041,060	13.49%
2016	\$ 3,708,441	\$ 3,708,441	\$ -	\$ 26,521,211	13.98%
2015	\$ 3,122,860	\$ 3,122,860	\$ -	\$ 25,863,124	12.07%
*Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.					
Schedule of Employer Contributions ValORS Employee Retirement Plan For the Years Ended June 30, 2015 through 2024					
Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 404,711	\$ 404,711	\$ -	\$ 1,645,167	24.60%
2023	\$ 328,104	\$ 328,104	\$ -	\$ 1,333,756	24.60%
2022	\$ 228,692	\$ 228,692	\$ -	\$ 1,044,256	21.90%
2021	\$ 205,138	\$ 205,138	\$ -	\$ 936,703	21.90%
2020	\$ 217,292	\$ 217,292	\$ -	\$ 1,005,516	21.61%
2019	\$ 212,568	\$ 212,568	\$ -	\$ 983,656	21.61%
2018	\$ 202,311	\$ 202,311	\$ -	\$ 961,097	21.05%
2017	\$ 205,487	\$ 205,487	\$ -	\$ 976,185	21.05%
2016	\$ 189,817	\$ 189,817	\$ -	\$ 1,005,098	18.89%
2015	\$ 160,516	\$ 160,516	\$ -	\$ 903,094	17.77%

**Notes to Required Supplementary Information
For the Year Ended June 30, 2024**

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

Changes of assumptions VRS – The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions for the VRS - State Employee Retirement Plan as a result of the experience study and VRS Board action are as follows:

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

VaLORS - The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

**Required Supplementary Information
For Other Post-Employment Benefit Plans
For the Fiscal Year Ended June 30, 2024**

Schedule of Christopher Newport University's Share of Net OPEB Liability (Asset) For the Measurement Dates of June 30, 2017 through 2023						
Plan	Date	Proportion of Net OPEB Liability (Asset)	Proportionate Share of Net OPEB Liability (Asset)	Employer's Covered Payroll**	Proportionate Share of Net OPEB Liability (Asset) as a Percentage of Covered Payroll**	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
GLI	2023	0.29%	\$ 3,432,915	\$ 66,997,222	5.12%	69.30%
GLI	2022	0.29%	\$ 3,480,440	\$ 62,393,333	5.58%	67.21%
GLI	2021	0.29%	\$ 3,369,285	\$ 59,228,333	5.69%	67.45%
GLI	2020	0.29%	\$ 4,886,519	\$ 60,706,538	8.05%	52.64%
GLI	2019	0.29%	\$ 4,727,045	\$ 57,390,577	8.24%	52.00%
GLI	2018	0.29%	\$ 4,358,000	\$ 56,731,346	7.68%	51.22%
GLI	2017	0.27%	\$ 4,204,000	\$ 51,599,808	8.15%	48.86%
HIC	2023	0.82%	\$ 6,731,708	\$ 67,292,679	10.00%	25.46%
HIC	2022	0.83%	\$ 6,794,465	\$ 62,831,429	10.81%	21.52%
HIC	2021	0.83%	\$ 7,000,228	\$ 59,712,411	11.72%	19.75%
HIC	2020	0.83%	\$ 7,662,230	\$ 60,063,932	12.76%	12.02%
HIC	2019	0.84%	\$ 7,710,415	\$ 56,925,299	13.54%	10.56%
HIC	2018	0.81%	\$ 7,391,000	\$ 56,282,881	13.13%	9.51%
HIC	2017	0.79%	\$ 7,252,000	\$ 51,109,492	14.19%	8.03%
LODA	2023	0.11%	\$ 432,570	\$ 1,440,621	30.03%	1.31%
LODA	2022	0.09%	\$ 337,544	\$ 1,184,727	28.49%	1.87%
LODA	2021	0.10%	\$ 459,513	\$ 1,025,259	44.82%	1.68%
LODA	2020	0.09%	\$ 369,772	\$ 1,122,796	32.93%	1.02%
LODA	2019	0.09%	\$ 339,591	\$ 1,107,679	30.66%	0.79%
LODA	2018	0.10%	\$ 300,000	\$ 1,085,905	27.63%	0.60%
LODA	2017	0.11%	\$ 276,000	\$ 1,097,450	25.15%	1.30%
VSDP	2023	(0.73%)	\$ (2,315,861)	\$ 37,095,574	(6.24%)	199.05%
VSDP	2022	(0.73%)	\$ (2,140,387)	\$ 32,965,738	(6.49%)	195.90%
VSDP	2021	(0.71%)	\$ (2,458,443)	\$ 30,466,557	(8.07%)	229.01%
VSDP	2020	(0.71%)	\$ (1,576,112)	\$ 30,666,935	(5.14%)	181.88%
VSDP	2019	(0.72%)	\$ (1,410,035)	\$ 28,835,484	(4.89%)	167.18%
VSDP	2018	(0.69%)	\$ (1,554,000)	\$ 28,118,333	(5.53%)	194.74%
VSDP	2017	(0.68%)	\$ (1,412,000)	\$ 25,590,152	(5.52%)	186.63%
** The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. <i>Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, no other data is available. However, additional years will be included as they become available.</i>						

**Schedule of Christopher Newport University's OPEB Contributions
For the Years Ended June 30, 2018 through 2024**

		Contributions in Relation to				*Contributions
	Year Ende	Contractually Required	Contractually Required	Contribution	*Employer's	as a % of
	June 30	Contribution	Contribution	Deficiency	Covered	Covered
				(Excess)	Payroll	Payroll
GLI	2024	\$ 386,020	\$ 386,020	\$ -	\$ 71,485,185	0.54%
GLI	2023	\$ 361,785	\$ 361,785	\$ -	\$ 66,997,222	0.54%
GLI	2022	\$ 336,924	\$ 336,924	\$ -	\$ 62,393,333	0.54%
GLI	2021	\$ 319,833	\$ 319,833	\$ -	\$ 59,228,333	0.54%
GLI	2020	\$ 315,674	\$ 315,674	\$ -	\$ 60,706,538	0.52%
GLI	2019	\$ 298,431	\$ 298,431	\$ -	\$ 57,390,577	0.52%
GLI	2018	\$ 295,003	\$ 295,003	\$ -	\$ 56,731,346	0.52%
HIC	2024	\$ 808,615	\$ 808,615	\$ -	\$ 72,197,768	1.12%
HIC	2023	\$ 753,678	\$ 753,678	\$ -	\$ 67,292,679	1.12%
HIC	2022	\$ 703,712	\$ 703,712	\$ -	\$ 62,831,429	1.12%
HIC	2021	\$ 668,779	\$ 668,779	\$ -	\$ 59,712,411	1.12%
HIC	2020	\$ 702,748	\$ 702,748	\$ -	\$ 60,063,932	1.17%
HIC	2019	\$ 666,026	\$ 666,026	\$ -	\$ 56,925,299	1.17%
HIC	2018	\$ 664,138	\$ 664,138	\$ -	\$ 56,282,881	1.18%
LODA	2024	\$ 17,451	\$ 17,451	\$ -	\$ 1,675,274	1.04%
LODA	2023	\$ 14,319	\$ 14,319	\$ -	\$ 1,440,621	0.99%
LODA	2022	\$ 12,283	\$ 12,283	\$ -	\$ 1,184,727	1.04%
LODA	2021	\$ 14,346	\$ 14,346	\$ -	\$ 1,025,259	1.40%
LODA	2020	\$ 11,998	\$ 11,998	\$ -	\$ 1,122,796	1.07%
LODA	2019	\$ 12,704	\$ 12,704	\$ -	\$ 1,107,679	1.15%
LODA	2018	\$ 10,213	\$ 10,213	\$ -	\$ 1,085,905	0.94%
VSDP	2024	\$ 243,843	\$ 243,843	\$ -	\$ 39,974,262	0.61%
VSDP	2023	\$ 226,283	\$ 226,283	\$ -	\$ 37,095,574	0.61%
VSDP	2022	\$ 201,091	\$ 201,091	\$ -	\$ 32,965,738	0.61%
VSDP	2021	\$ 185,846	\$ 185,846	\$ -	\$ 30,466,557	0.61%
VSDP	2020	\$ 190,135	\$ 190,135	\$ -	\$ 30,666,935	0.62%
VSDP	2019	\$ 178,780	\$ 178,780	\$ -	\$ 28,835,484	0.62%
VSDP	2018	\$ 185,581	\$ 185,581	\$ -	\$ 28,118,333	0.66%

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

Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, no other data is available. However, additional years will be included as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2024**

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, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees (LODA):

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

General State Employees (GLI, HIC, VSDP):

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

Teachers (GLI):

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

SPORS Employees (GLI, HIC, LODA, VSDP):

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

VaLORS Employees (GLI, HIC, LODA, VSDP):

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

JRS Employees (GLI, HIC):

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

Largest 10 Locality Employers – General Employees (GLI):

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

Non-Largest 10 Locality Employers – General Employees (GLI):

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

Largest 10 Locality Employers – Hazardous Duty Employees (GLI):

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

Non-Largest 10 Locality Employers – Hazardous Duty Employees (GLI):

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

Employees in the Largest 10 Locality Employers With Public Safety Employees (LODA):

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

Employees in the Non-Largest 10 Locality Employers With Public Safety Employees (LODA):

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

PMRH:

Schedule of Christopher Newport University's Share of Total Pre-Medicare Retiree Healthcare Program (PMRH) Liability For the Fiscal Year Ended June 30, 2018 through 2024						
Plan	Date	Proportion of Total OPEB Liability	Proportionate Share of Total OPEB Liability	Employer's Covered-Employee Payroll	Proportionate Share of PMRH Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
PMRH	2024	0.98%	\$ 3,439,169	\$ 67,139,434	5.12%	N/A
PMRH	2023	0.99%	\$ 3,585,032	\$ 63,583,201	5.64%	N/A
PMRH	2022	0.99%	\$ 4,423,622	\$ 60,204,725	7.35%	N/A
PMRH	2021	0.99%	\$ 5,629,893	\$ 60,227,849	9.35%	N/A
PMRH	2020	0.98%	\$ 6,668,084	\$ 56,911,680	11.72%	N/A
PMRH	2019	0.95%	\$ 9,583,154	\$ 54,459,956	17.60%	N/A
PMRH	2018	0.93%	\$ 12,087,409	\$ 51,644,560	23.40%	N/A
* The amounts presented have a measurement date of the previous fiscal year end.						
Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, no other data is available. However, additional years will be included as they become available.						

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 – There were not any changes in assumptions since the June 30, 2022, measurement date. The following remained constant since the prior measurement date:

- Spousal Coverage – rate remained at 20 percent
- Retiree Participation – rate remained at 35 percent

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

The trend rates were updated based on economic conditions as of June 30, 2023. Additionally, the discount rate was increased from 3.54 percent to 3.65 percent based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2023.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 13, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Christopher Newport University

William G. Kelly, President
Christopher Newport University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Christopher Newport University** (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Notes 1 and 18. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 2 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board Implementation Guide 2021-1 Question 5.1, related to capitalizing groups of assets. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 11; the Schedule of Christopher Newport University's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 94 through 96; the Schedule of Christopher Newport University's Share of Net OPEB Liability (Asset), the Schedule of Christopher Newport University's OPEB Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 97 through 103; the Schedule of Christopher Newport University's Share of Total Pre-Medicare Retiree Healthcare Program (PMRH) Liability and the Notes to the Required Supplementary Information for the PMRH program on page 103 through 104. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we will also issue our report dated June 13, 2025, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. We anticipate releasing that report in July 2025. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

SDB/vks

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Newport News, Virginia

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