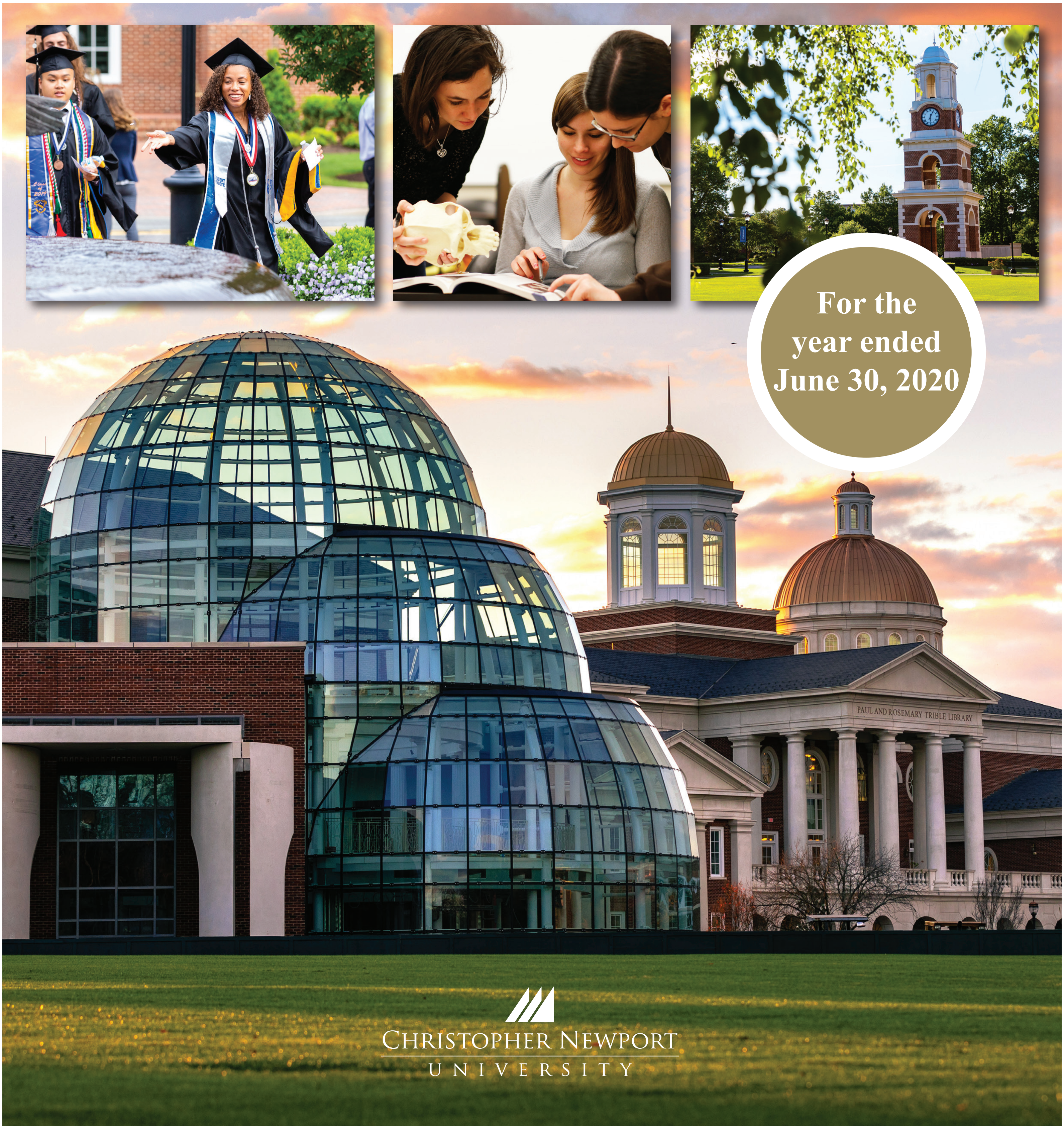
Christopher Newport University

Audited Financial Statements



For the year ended June 30, 2020

Christopher Newport University

CHRISTOPHER NEWPORT UNIVERSITY

Newport News, Virginia

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

- TABLE OF CONTENTS -

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 5,000 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, 2020, with comparative numbers for the year ended June 30, 2019. 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 Notes to Financial Statements 17. 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 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 invested in capital assets, net of related debt.
- **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.

The University's assets and deferred outflows increased by $32.4 million, or 5.5%, during fiscal year 2020, bringing the total assets and deferred outflows to $619.5 million at year-end. This increase is a combination of the increase in current assets, net capital assets and deferred outflows of resources. Current assets increased primarily due to grant funding received and cash on hand as a result of reduced expenses from the COVID-19 closure. Net capital assets increased because of the Fine Arts and Rehearsal Space construction in progress. Construction in progress and capital assets are discussed in more detail on the next page. Deferred outflows of resources increased due to the deferred loss on the debt defeasance, the increase of deferral for the Virginia Retirement System (VRS) defined benefit plan, other postemployment benefit plans (OPEB) and the Department of Human Resource Management (DHRM) OPEB plans not with a trust. VRS and DHRM plans are discussed in detail in Notes to Financial Statements 11 and 12.

Liabilities and deferred inflows increased from prior year by $2.1 million or 0.9%. This is a combination of the increase in current liabilities and deferred inflows of resources, offset by a decrease in noncurrent liabilities. Current liabilities increased due to the increase in accounts payable for construction on University capital projects, a slight increase in accrued wages and leave over prior year's accrual and the deferral of CARES Act funding not spent by June 30, 2020.

The decrease in noncurrent liabilities represents payments made by the University on outstanding debt. Deferred inflows increase over prior year is due to the net difference between projected and actual investment earnings plus the change in assumptions on the Pension and OPEB plans investments.

Condensed Statement of Net Position

For the years ended June 30, 2020 and 2019

(All dollars in millions)

Assets and Deferred Outflows:	2020	2019	Change Amount	Change Percent
Current assets	$ 48.4	$ 40.0	$ 8.4	21.0 %
Capital assets, net	551.3	533.5	17.8	3.3 %
Other noncurrent assets	2.9	3.0	(0.1)	(3.3) %
Deferred outflows of resources	16.9	10.6	6.3	59.4 %
Total assets and deferred outflows	619.5	587.1	32.4	5.5 %
Liabilities and Deferred Inflows:				
Current liabilities	45.8	41.5	4.3	10.4 %
Noncurrent liabilities	185.1	188.4	(3.3)	(1.8) %
Deferred inflows of resources	12.6	11.5	1.1	9.6 %
Total liabilities and deferred inflows	243.5	241.4	2.1	0.9 %
Net Position:				
Invested in capital assets, net	421.1	393.9	27.2	6.9 %
Restricted	1.3	1.3	0.0	1.2 %
Unrestricted	(46.4)	(49.4)	3.0	6.2 %
Total net position	$376.0	$345.7	$ 30.3	8.8 %

Information concerning Pension and OPEB deferred outflows and inflows of resources are as follows:

- Changes in the net Pension or OPEB liability that have not been included in expense are required to be reported as deferred outflows of resources or deferred inflows of resources.
- Differences between employer contributions and proportionate share of contributions, as well as, employer contributions subsequent to the measurement date and change in assumption on plan investments are recognized as deferred outflows of resources, and net difference between projected and actual experience on plan investments are reported as deferred inflows of resources.

Capital assets, debt, pension and OPEB are discussed in detail 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 11 discusses the Retirement (Pension) Plan and Note 12 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.

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.

Note 4 describes the University's significant investment in capital assets with gross additions of $41.0 million.

Capital Assets
For the year ended June 30, 2020
(All dollars in millions)

	Amount
Additions	
Construction in progress (see table)	$ 33.5
Buildings & other improvements	5.1
Infrastructure	0.1
Equipment, library & intangibles	2.3
Total capital asset additions	$ 41.0
Reductions	
Buildings & other improvements	$ 3.0
Equipment, library & intangibles	1.3
Construction in progress	4.8
Total capital asset reductions	$ 9.1

Ongoing investments in capital assets for fiscal year 2020 included additions to buildings and other improvements for the turf field and stadium expansion.

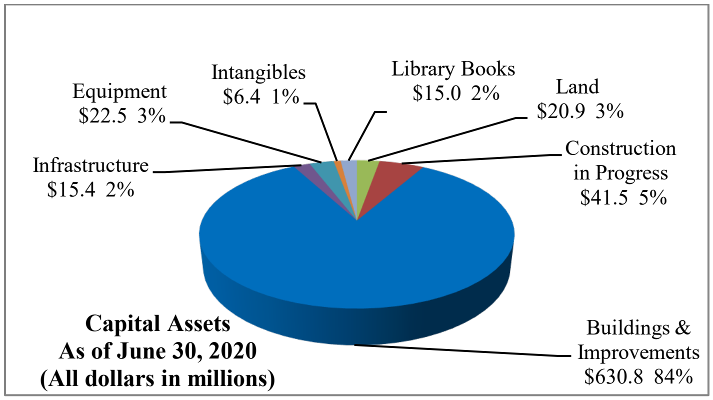
Equipment, library and intangibles additions include library books, instructional, laboratory, and information technology equipment to bring the campus to full online instruction due to the pandemic.

Construction in Progress
For the year ended June 30, 2020
(All dollars in millions)

	Project Amount
Fine Arts and Rehearsal Space	$ 39.8
Residence Hall VII	1.1
Ferguson Roof Replacement	0.2
Band Rehearsal Hall	0.1
Central Chilled Water Plant	0.1
Network Infrastructure	0.1
Miscellaneous	0.1
Total construction in progress	$ 41.5

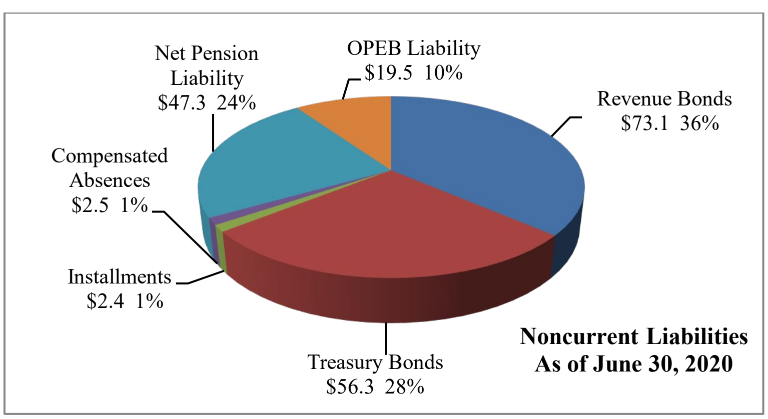
The investment in construction in progress is detailed in the table to the right. The Fine Arts and Rehearsal space is scheduled to be completed in 2021 and will house a gallery and programming space for the Newport News art museum, as well as a lecture hall with classrooms and studios for all types of art.

Ending balances of capital assets at June 30, 2020 are presented in the graph below and total $752.5 million before accumulated depreciation. Buildings and improvements continue to account for the majority of capital assets of the University. The majority of the costs currently in construction in progress will eventually become part of buildings and improvements once the projects are completed.



Notes 7 and 8 of the Notes to Financial Statements contain information relating to the long-term debt of the University. In fiscal year 2020, the Virginia College Building Authority (VCBA) issued $4.8 million in 9(d) revenues bonds, Series 2019A on behalf of the University for the Athletics Expansion II. The Series 2019A resulted in a premium of $0.7 million and will be amortized over the 15-year life of the bonds. Also, in fiscal year 2020, the Commonwealth of Virginia issued $1.8 million 9(c) general obligation refunding bonds, Series 2019B. The refunding 2019B Series refunded $1.8 million of Series 2009C. The 2019B refunding resulted in a loss on debt defeasance of $18.2 thousand.

The decreases to long-term liabilities consisted of principal payments on the outstanding debt of the University and additions and reductions to the Pension and OPEB liabilities based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. Total long-term liabilities at the end of fiscal year 2020 are $201.1 million.



STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

In fiscal year 2020 the University had an increase in net position of $30.3 million resulting primarily from Capital Appropriations for construction projects related to the mission of the University to enhance student success, such as the Fine Arts and Rehearsal Hall.

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.

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.

Summary of the Statement of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2020 and 2019
(All dollars in millions)

	2020	2019	Change Amount	Change Percent	
Operating revenues	$116.9	$122.0	$ (5.1)	(4.2)	%
Operating expenses	158.5	158.8	(0.3)	(0.2)	%
Operating loss	(41.6)	(36.8)	(4.8)	13.0	%
Non-operating revenues, net	41.2	36.2	5.0	13.8	%
Net other revenues (expenses)	30.7	13.8	16.9	122.5	%
Increase in net position	30.3	13.2	17.1	129.5	%
Net position beginning of the year	345.7	332.5	13.2	4.0	%
Net position end of year	$376.0	$345.7	$30.3	8.8	%

OPERATING REVENUES

Total operating revenues decreased by $5.1 million, or 4.2%, from the prior fiscal year due primarily to the rebates issued for housing and dining fees to students when the University closed in March 2020.

Summary of Revenues
For the years ended June 30, 2020 and 2019
(All dollars in millions)

	2020	2019	Change Amount	Change Percent
Operating revenues				
Student tuition and fees, net	$ 42.5	$ 44.2	$ (1.7)	(3.8) %
Grants and contracts	2.0	2.0	-	- %
Auxiliary enterprises, net	69.0	71.2	(2.2)	(3.1) %
Other operating revenue	3.4	4.6	(1.2)	(26.1) %
Total operating revenue	116.9	122.0	(5.1)	(4.2) %
Non-operating revenues				
State appropriations	39.4	34.6	4.8	13.9 %
Federal financial aid	3.1	3.0	0.1	3.3 %
Other non-operating revenue*	3.7	3.6	0.1	2.8 %
Total non-operating revenue	46.2	41.2	5.0	12.1 %
Other revenue				
Capital appropriations	30.7	13.6	17.1	125.7 %
Capital gifts and grants	0.1	0.2	(0.1)	(50.0) %
Total other revenue	30.8	13.8	17.0	123.2 %
Total revenue	$ 193.9	$ 177.0	$ 16.9	9.5 %

* Includes gifts, Build America Bond subsidy, investment income, and other non-operating revenue.

NON-OPERATING REVENUES

Total non-operating revenues increased by $5.0 million. This increase is primarily due to the $4.8 million increase the University received from State appropriations.

OTHER REVENUE

Other revenue increased by $17.0 million from prior fiscal year due to the increase in capital appropriations for the Fine Arts and Rehearsal Hall.

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.

Summary of Expenses
For the years ended June 30, 2020 and 2019
(All dollars in millions)

	2020	2019	Change Amount	Change Percent	
Operating expenses					
Instruction	$ 38.6	$ 37.2	$ 1.4	3.8	%
Research	2.0	1.9	0.1	5.3	%
Academic support	11.1	10.7	0.4	3.7	%
Student services	8.3	7.7	0.6	7.8	%
Institutional support	11.4	11.0	0.4	3.6	%
Operation & maintenance of plant	11.2	10.7	0.5	4.7	%
Depreciation	18.0	18.0	-	-	%
Student aid	3.0	2.5	0.5	20.0	%
Auxiliary enterprises	55.0	59.1	(4.1)	(6.9)	%
Total operating expenses	158.6	158.8	(0.2)	(0.1)	%
Non-operating expenses					
Interest on capital asset related debt	4.6	4.7	(0.1)	(2.1)	%
Other non-operating expenses and loss on disposal of plant assets	0.3	0.2	0.1	50.0	%
Total non-operating expenses	4.9	4.9	-	-	%
Total expenses	$ 163.5	$ 163.7	$ (0.2)	(0.1)	%

OPERATING EXPENSES

Total operating expenses for the fiscal year totaled $158.6 million, down $0.2 million from fiscal year 2019. The net change resulted primarily from the closing of the University's housing and dining services in response to the pandemic.

NON-OPERATING EXPENSES

Non-operating expenses consist of losses on disposal of capital assets and interest paid on capital-related debt.

STATEMENT OF CASH FLOWS

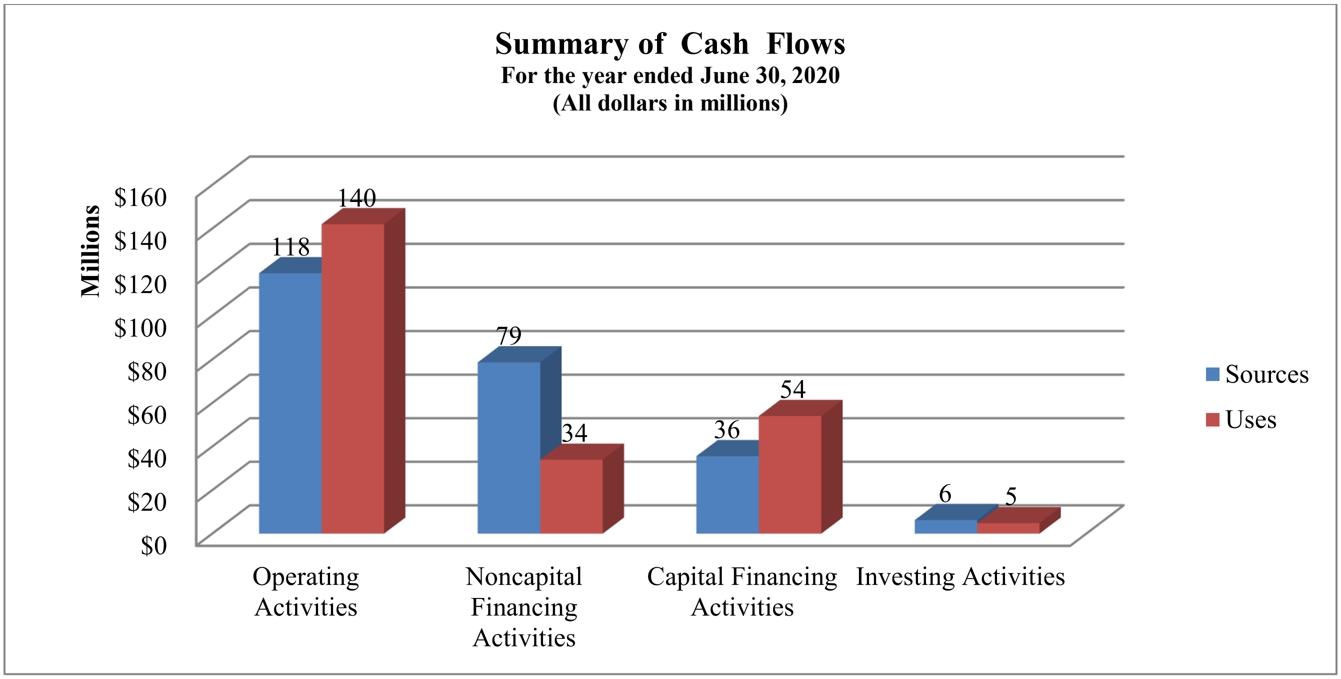
The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference 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, 2020 and 2019
(All dollars in millions)

	2020	2019	Change Amount	Change Percent
Net cash provided/(used) by operating activities	$ (22.5)	$ (19.1)	$ (3.4)	17.8 %
Net cash provided/(used) by noncapital activities	44.7	40.6	4.1	10.1 %
Net cash provided/(used) by capital and related financing activities	(18.4)	(22.8)	4.4	(19.3) %
Net cash provided/(used) by investing activities	1.4	1.2	0.2	16.7 %
Net increase (decrease) in cash and cash equivalents	5.2	(0.1)	5.3	(5,300.0) %
Cash and cash equivalents - beginning of year	32.9	33.0	(0.1)	(0.3) %
Cash and cash equivalents - end of year	$ 38.1	$ 32.9	$ 5.2	15.8 %



The University ended 2020 with cash and cash equivalents of $38.1 million, a net increase in cash of $5.2 million from prior fiscal year.

Net cash used by operating activities was $22.5 million. The primary sources of cash from operating activities was $67.9 million from Auxiliary services and $41.5 million from student tuition and fees. The primary uses of cash from operating activities were payments to employees for salaries, wages and fringe benefits of $85.9 million and payments for services and supplies of $45.4 million.

Noncapital financing activities had net cash provided of $44.7 million. The primary sources of cash from noncapital financing activities consisted of state appropriations of $39.4 million, federal student financial aid of $3.0 million and gifts and grants of $2.0 million.

Net cash used by capital financing activities was $18.4 million. The primary source of cash from capital financing was $28.2 million from capital appropriations. Primary uses of cash from capital financing activities were for the purchase of capital assets of $34.0 million and the principal and interest payments on debt of $14.9 million and $5.1 million, respectively.

Net cash provided by investing activities was $1.4 million which is a slight increase from prior year. Purchases of investments were $4.8 million for the project fund deposit on the Athletic Expansion II bond issuance offset by $4.8 million used for construction on this and other projects.

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. The Board of Visitors approved a freeze on all tuition and fees for fiscal year 2021 in an effort to help students and parents in response to the pandemic.

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 rise third among Southern regional public universities in the new 2020 *U.S. News & World Report* rankings, and now stands seventh among all 134 universities, public and private included in the analysis.

Christopher Newport University's innovative core curriculum has earned an "A" grade from the American Council of Trustees and Alumni (ACTA). Only 22 universities in the nation, public and private, were so honored. Christopher Newport was the only Virginia public institution to earn an "A" and the only public university in the nation with a perfect score. ACTA annually assesses the core academic requirements at 1,123 four-year institutions. Grades are based on whether universities require all students to take courses in seven subject areas as part of their general education programs: composition, literature, foreign language, U.S. government or history, economics, mathematics, and natural science. Christopher Newport's rigorous core curriculum requires courses in all seven subject areas.

Christopher Newport University has been named a College of Distinction by a top national guide to colleges that highlights innovative learning opportunities at top schools. The Colleges of Distinction guide is used by over 40,000 guidance counselors and thousands of parents and students across the country as they decide where to go to college. Christopher Newport was named a College of Distinction because of its variety and quality of high-impact student success initiatives.

In March 2020, the University moved from our traditional classroom teaching to complete virtual instruction as a result of the COVID-19 outbreak. For the health and safety of the campus community, the majority of on-campus operations and events were cancelled or delayed and staff began teleworking. For the fiscal year ending June 30, 2020, rebates in the amount of $4,483,250 were issued to students from student housing and dining services.

In April 2020, the University received CARES Act Higher Education Emergency Relief Funds (HEERF) from the Department of Education for $1,446,968 in institutional aid and $1,446,968 in student aid. The University utilized the institutional aid to offset a portion of the rebates that were issued to students and the student aid portion to assist students who qualify and have been impacted by the pandemic. In January 2021, the University received a CARES Act HEERF II award for $2,681,159 in institutional funds and $1,446,968 in student aid and in May 2021, the University received a CARES Act HEERF III award for $3,683,657 each in institutional funds and student aid.

For fiscal year 2021 the University will continue to fulfill the mission of preparing students to live lives of significance. To inspire students, faculty, staff, family and community confidence in a return to on-campus, in-person education as well as online classes and virtual streaming of in-person classes for those students who choose to not return to campus life in the Fall.

The University's commitment to liberal learning and the pursuit of excellence in all that we do and our dedication to those initiatives will strengthen our teaching, our scholarship, our academic programs and disciplines, and our campus community. As Captains we are grounded in the principles of Liberal Learning and dedication to the ideals of scholarship, leadership, and service, and will come together and persevere during this time of uncertainty and be a stronger community and continue to prosper and lead lives of significance.

FINANCIAL STATEMENTS

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2020

	University	Component Unit Education Foundation	Component Unit Real Estate Foundation
Current Assets:			
Cash and cash equivalents (Note 2)	$ 2,604,234	$ 58,977	$ 5,461,691
Cash and cash equivalents Treasurer of Virginia (Note 2)	33,193,873	-	-
Cash and cash equivalents - securities lending (Note 2)	2,505,718	-	-
Restricted cash/cash equivalents Treasurer of Virginia (Note 2)	1,193,828		
Other investments	-	3,503,832	-
Accounts receivable, net of allowance (Note 3)	945,132	942	757,328
Pledges receivable, net of allowance (Note 17)	-	2,526,078	-
Due from Commonwealth (Note 3)	4,751,102	-	-
Due From Other Funds	531,250		
Prepaid expenses	2,490,748	-	-
Inventory	228,730	-	-
Total current assets	48,444,615	6,089,829	6,219,019
Noncurrent Assets:			
Restricted cash and cash equivalents (Note 2)	1,133,634	1,924,242	-
Restricted investments (Notes 2 and 17)	291,332	39,167,125	-
Appropriations available/due from	64,952	-	-
Pledges receivable, net of allowance (Note 17)	-	10,196,033	-
Notes receivable	-	-	1,060,000
Other assets	-	1,355,000	385,300
Other restricted assets	1,410,035	2,345,347	-
Non-depreciable capital assets (Notes 4 and 17)	62,436,233	654,544	31,384,561
Capital assets, net (Notes 4 and 17)	488,841,706	66,003	75,676,716
Total noncurrent assets	554,177,892	55,708,294	108,506,577
Deferred outflows of resources (Note 5)	16,914,305	-	-
Total assets and deferred outflows of resources	619,536,812	61,798,123	114,725,596
Current Liabilities:			
Accounts payable and accrued expenses (Note 6)	19,009,754	448,459	1,626,205
Unearned revenue	3,797,809	-	28,761
Obligations under securities lending	2,505,718	-	-
Accrued interest payable	1,161,494	-	220,685
Deposits held in custody for others	3,343,705	-	82,326
Long-term liabilities - current portion (Notes 7 and 17)	16,013,606	-	6,899,151
Total current liabilities	45,832,086	448,459	8,857,128
Noncurrent liabilities (Notes 7, 8 and 17)	185,047,516	-	97,585,559
Deferred inflows of resources (Note 5)	12,613,464	-	-
Total liabilities and deferred inflows of resources	243,493,066	448,459	106,442,687
Net investment in capital assets	421,110,345	720,547	5,526,987
Restricted for:			
Nonexpendable - scholarships and fellowships	-	30,811,685	-
Expendable:			
OPEB	1,362,077	-	-
Scholarships and fellowships	-	3,246,327	-
Academic support	-	14,506,138	-
Capital projects	-	1,861,222	-
Other	-	6,916,721	-
Unrestricted	(46,428,676)	3,287,024	2,755,922
Total net position	$ 376,043,746	$ 61,349,664	$ 8,282,909

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, 2020

	University	Component Unit Education Foundation	Component Unit Real Estate Foundation
Operating Revenues:			
Student tuition and fees, Net of scholarship allowance of $7,278,149	$ 42,549,181	$ -	$ -
Federal grants and contracts	1,547,292	-	-
State grants and contracts	245,166	-	-
Nongovernmental grants and contracts	231,538	-	-
Gifts and contributions	-	3,939,010	-
Auxiliary enterprises, Net of scholarship allowance of $5,984,167	68,960,788	-	-
Lease and rental revenue	-	-	11,869,354
Other operating revenue	3,393,454	265,127	3,322
Total operating revenues	116,927,419	4,204,137	11,872,676
Operating Expenses:			
Instruction	38,622,227	-	-
Research	1,974,505	-	-
Academic support	11,092,645	-	-
Student services	8,298,789	-	-
Institutional support	11,375,664	2,497,258	1,800,469
Operation and maintenance of plant	11,172,878	1,107,219	1,980,059
Depreciation	18,049,626	18,001	3,709,476
Student aid	3,014,168	2,344,922	-
Auxiliary enterprises	54,954,419	-	-
Total operating expenses	158,554,921	5,967,400	7,490,004
Operating gain/(loss)	(41,627,502)	(1,763,263)	4,382,672
Non-operating Revenues/(Expenses):			
State appropriations (Note 9)	39,379,848	-	-
Federal student financial aid	3,078,041	-	-
Gifts	2,015,416	-	-
Investment income, net of investment expenses of $5,000	719,608	1,527,636	676
Interest on capital asset related debt	(4,638,915)	-	(3,312,314)
Federal revenue	735,620	-	-
Other non-operating revenues (expenses)	216,024	-	-
Gain (Loss) on disposal of plant assets	(327,986)	-	(162,061)
Net nonoperating revenues/(expenses)	41,177,656	1,527,636	(3,473,699)
Income before other revenues/(expenses)/gains/(losses)	(449,846)	(235,627)	908,973
Capital appropriations	30,713,983	-	-
Capital gifts and grants	40,546	10,680	-
Additions to permanent endowments	-	1,730,803	-
Net other revenues	30,754,529	1,741,483	-
Increase/(decrease) in net position	30,304,683	1,505,856	908,973
Net Position - Beginning of year	345,739,063	59,843,808	7,373,936
Net Position - End of year	$ 376,043,746	$ 61,349,664	$ 8,282,909

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, 2020

Cash flows from operating activities:	
Student tuition and fees	$ 41,493,193
Grants and contracts	4,809,193
Auxiliary enterprises	67,859,065
Other receipts	2,860,598
Payments to employees	(85,936,291)
Payments for services and supplies	(45,424,663)
Payments for utilities	(5,497,630)
Payments for plant improvements and equipment	(1,399,216)
Payments for scholarships and fellowships	(1,472,934)
Loans and advances issued to students and employees	(600,158)
Collection of loans and advances from students and employees	848,969
Net cash used by operating activities	(22,459,873)
Cash flows from noncapital financing activities:	
State appropriations	39,379,848
Gifts and grants for other than capital purposes	2,015,416
Federal student financial aid	3,078,041
Federal direct lending program receipts	23,606,565
Federal direct lending program disbursements	(23,606,565)
PLUS loan receipts	8,750,028
PLUS loan disbursements	(8,750,028)
Custodial receipts	1,563,424
Custodial payments	(1,553,236)
Other nonoperating revenues	216,024
Other nonoperating expenses	-
Net cash provided by noncapital financing activities	44,699,517
Cash flows from capital financing activities:	
Capital appropriations	28,179,438
Capital grants and contributions	40,546
Proceeds from sale of revenue bonds	7,325,686
Purchase of capital assets	(33,975,661)
Principal paid on capital debt, leases, and installments	(14,897,885)
Interest paid on capital debt, leases, and installments	(5,125,672)
Net cash used by capital financing activities	(18,453,547)
Cash flows from investing activities:	
Interest on investments	1,454,216
Purchase of investments	(4,781,637)
Sales of investments	4,765,215
Net cash provided by investing activities	1,437,794
Net increase/(decrease) in cash	5,223,891
Cash and cash equivalents - Beginning of year	32,901,678
Cash and cash equivalents - End of year	$ 38,125,569

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, 2020

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	$	(41,627,502)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		18,049,626
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Receivables, net		(419,710)
Inventory		(22,197)
Prepaid expenses		(427,064)
OPEB restricted asset		143,965
Deferred outflow of resources		(6,970,614)
Accounts payable and accrued expenses		(1,040,911)
Unearned revenue		2,362,269
Deposits held in custody		(66,919)
Accrued compensated absences		283,171
Net pension liability		8,258,029
OPEB liability		(2,187,020)
Deferred inflow of resources		1,205,005
Net cash used by operating activities	$	(22,459,873)
Non Cash investing, non capital financing, and capital and related financing transactions:		
Amortization of bond premium and discount	$	1,621,395
Capitalization of interest expense	$	11,146
Amortization of deferral on defeased bonds	$	(612,828)
Change in fair value of investments recognized as a component of interest income	$	16,422
Loss on disposal of plant assets	$	(327,986)

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

NOTES TO THE FINANCIAL STATEMENTS

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 these restricted resources held by the Foundations can only be used by, or for the benefit of the University, the Foundations are considered a component unit of the University and are discretely presented in the University's financial statements.

During the year ended June 30, 2020, the Foundations distributed $4,569,131 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 Foundations are private, nonprofit organizations 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. No modifications have been made to the Foundations' financial information in the University's financial reporting entity for these differences.

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 and other improvements, library materials, equipment, intangible assets such as computer software, and infrastructure assets such as sidewalks. Capital assets are defined by the University as assets, excluding computer software, infrastructure and building improvements, with an initial cost of $5,000 or more and an estimated useful life in excess of 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 and licenses purchased on installment agreements have a cost of $50,000 or more. 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
Library materials	5 years

F. Prepaid Expenses

As of June 30, 2020, the University's prepaid expenses included items such as insurance premiums, membership dues, stipends and software maintenance for fiscal year 2021 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 are 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, 2020. For fiscal year 2021 the majority of this balance relates to the CARES Act Institutional Funding.

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. 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, 2020. 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.

L. 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 Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, Audit of State, *Local Governments and Non-Profit Organizations* and the Compliance Supplement. The Office of Management and Budget (OMB) incorporated OMB Circulars A-21, A-87, A-89, A-102, A-110, A-122 and A-133 into a single document. The document is titled 2 CFR, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

M. 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.

N. 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 is 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.

O. 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.

P. 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 2020 the University adopted the National Association of College and University Business Officers (NACUBO) alternative method for the calculation of scholarship discounts and allowances. The alternative method is a computation that calculates scholarship discounts and allowances on a University-wide basis, rather than on an individual student basis.

Q. Pensions

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

The information included in the Required Supplemental Information (RSI) reflects GASB Statement 82 by the plan. The statement resolved two outstanding issues from GASB Statement 68; the Presentation of Payroll Measures in RSI and the Classification of Employer-paid Member Contributions.

R. 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 or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the 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.

2. 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.

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.

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, 2020.

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 2020.

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. 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, 2020:

Cash and cash equivalents:	
Deposits with financial institutions	$ 1,017,419
Treasurer of Virginia	35,699,929
Government Money Market Fund	1,586,815
State non-arbitrage program (SNAP)	1,133,634
Restricted CARES Act Institutional Portion	1,193,490
Total cash and cash equivalents	$ 40,631,287

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 through 2.2-4517, et seq., Code of Virginia. Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days, but less than or equal to one year. Long-term investments have an original maturity greater than one year.

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.

				Fair Value Measurement (Per GASB 72)	
	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	Not Applicable to Fair Value Measurement	Level 1
Cash and Cash Equivalents and Investments					
Cash and cash equivalents:					
Government Money Market Fund	NR	$ 1,586,815	$ 1,586,815	$ 1,586,815	$ -
State non-arbitrage program (SNAP)	AAAm	1,133,634	1,133,634	1,133,634	-
Total cash and cash equivalents		2,720,449	2,720,449	2,720,449	-
Investments:					
Mutual Funds and Money Market	NA	291,332	291,332		291,332
Total investments		291,332	291,332	-	291,332
Total cash, cash equivalents and investments		$ 3,011,781	$ 3,011,781	$ 2,720,449	$ 291,332

3. ACCOUNTS RECEIVABLE

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

Student tuition and fees	$	322,737
Auxiliary enterprises		382,268
Federal, state, private grants and contracts		376,446
Other activities		4,683
Gross receivables		1,086,134
Less: Allowance for doubtful accounts		(141,002)
Net accounts receivable	$	945,132

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

Virginia College Building Authority 21st Century Bonds	$	4,751,102

4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 20,940,227	$ -	$ -	$ 20,940,227
Construction in progress	12,793,992	33,524,897	(4,822,883)	41,496,006
Total nondepreciable capital asse	33,734,219	33,524,897	(4,822,883)	62,436,233
Depreciable capital assets:				
Buildings	594,162,351	461,747	(2,996,133)	591,627,965
Infrastructure	15,286,679	149,531	-	15,436,210
Equipment	22,079,669	1,054,473	(594,514)	22,539,628
Intangibles	6,419,998	694,827	(690,027)	6,424,798
Other improvements	34,515,498	4,612,587	-	39,128,085
Library materials	14,445,640	485,691	(6,070)	14,925,261
Total depreciable capital assets	686,909,835	7,458,856	(4,286,744)	690,081,947
Less accumulated depreciation:				
Buildings	125,926,661	13,017,109	(2,827,925)	136,115,845
Infrastructure	10,262,651	851,969	-	11,114,620
Equipment	15,099,923	1,564,573	(467,099)	16,197,397
Intangibles	5,511,840	558,414	(647,591)	5,422,663
Other improvements	17,578,290	1,509,058	-	19,087,348
Library materials	12,753,865	548,503	-	13,302,368
Total accumulated depreciation	187,133,230	18,049,626	(3,942,615)	201,240,241
Depreciable capital assets, net	499,776,605	(10,590,770)	(344,129)	488,841,706
Total capital assets, net	$ 533,510,824	$ 22,934,127	$ (5,167,012)	$ 551,277,939

During fiscal year 2020, the University incurred interest charges totaling $4,650,061. Of this amount, $11,146 was capitalized as part of the cost of construction and $4,638,915 was expensed.

5. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30, 2020 is summarized below:

Loss on debt defeasance (see Note 8)	$ 2,119,308
Pension related (see Note 11)	10,986,601
Other postemployment benefit related (see Note 12)	
Health Insurance Credit Program	1,150,417
Virginia Sickness and Disability Program (VSDP)	402,106
Group Life Insurance Program	1,066,577
Line of Duty Act (LODA)	77,291
Pre-Medicare Retiree Healthcare	1,112,005
Total deferred outflows of resources	$ 16,914,305

Gain on debt defeasance (see Note 8)	$ 1,281,418
Pension related (see Note 11)	2,476,721
Other postemployment benefit related (see Note 12)	
Health Insurance Credit Program	203,096
Virginia Sickness and Disability Program (VSDP)	259,929
Group Life Insurance Program	333,989
Line of Duty Act (LODA)	55,093
Pre-Medicare Retiree Healthcare	8,003,218
Total deferred inflows of resources	$ 12,613,464

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employee salaries, wages and fringe benefits payable	$ 9,850,144
Vendors and suppliers accounts payable	7,458,215
Retainage payable	1,701,395
Total accounts payable and accrued liabilities	$ 19,009,754

7. NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8), and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2020 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bonds	$ 77,605,837	$ 4,784,303	$ (9,260,151)	$ 73,129,989	$ 8,775,000
Treasury-general obligation bonds	61,048,505	1,840,297	(6,600,203)	56,288,599	4,530,000
Installment purchases	306,569	433,790	(401,518)	338,841	111,567
Installment purchases from direct borrowings & direct placements	2,001,204	331,553	(257,409)	2,075,348	290,876
Total long-term debt	140,962,115	7,389,943	(16,519,281)	131,832,777	13,707,443
Accrued compensated absences	2,224,009	2,423,902	(2,140,731)	2,507,180	2,013,421
Net pension liability (see Note 11)*	39,018,000	8,258,029	-	47,276,029	-
OPEB liabilities (see Note 12):					
Health Insurance Credit Program*	7,391,000	319,415	-	7,710,415	-
Group Life Insurance Program*	4,358,000	369,045	-	4,727,045	-
Line of Duty Act*	300,000	39,591	-	339,591	8,852
Pre-Medicare Retiree Healthcare*	9,583,155	-	(2,915,071)	6,668,084	283,890
Total long-term liabilities	$203,836,279	$ 18,799,925	$(21,575,083)	$201,061,121	$ 16,013,606

*Amounts reflect Net Additions/(Reductions)

8. 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.

In December 2019, the Commonwealth of Virginia issued $4,120,000 in Virginia College Building Authority Bonds, Series 2019A, on behalf of the University. The note has a premium of $664,303 and interest rates range from 2.25% to 5.0%. The funds will be used for athletic facilities expansion projects.

In August 2019, the Commonwealth of Virginia issued $1,720,000 in General Obligation Refunding Bonds, Series 2019B, refunding $1,813,958 of Series 2009C bonds, on behalf of the University. The bond has a premium of $120,297 and interest rate of 5.0%.

Description	Interest Rates	Fiscal Year Maturity	Outstanding Balance at June 30, 2020
General obligation bonds:			
Residence Halls:			
Series 2010A-1 & 2010A-2	3.15-4.7	2040	27,040,000
Series 2011A	3.0-4.0	2021	495,000
Series 2015A	3.0-5.0	2035	16,140,000
Series 2016B	5.0	2021	160,000
Series 2019B	5.0	2021	1,720,000
Dining Services:			
Series 2015A	3.0-5.0	2035	7,665,000
Total general obligation bonds			$ 53,220,000
Revenue bonds:			
Athletics:			
Series 2009A	3.75-5.0	2021	5,000
Series 2010B	5.0	2023	290,000
Series 2010B	5.0	2021	80,000
Series 2010B	5.0	2023	1,300,000
Series 2012A	5.0	2024	240,000
Series 2014A	5.0	2030	2,515,000
Series 2014B	4.0-5.0	2026	1,320,000
Series 2015B	3.0-5.0	2029	1,600,000
Series 2016A	3.0-5.0	2038	3,425,000
Series 2016A	3.0-5.0	2040	13,815,000
Series 2019A	2.25-5.0	2035	4,120,000
Dining Services:			
Series 2010B	5.0	2022	155,000
Series 2010B	5.0	2023	60,000
Series 2011A	5.0	2022	995,000
Student Union:			
Series 2010B	5.0	2023	1,995,000
Series 2012A	2.75-5.0	2026	8,555,000
Series 2014B	5.0	2024	555,000
Series 2016A	3.0	2027	485,000

Description	Interest Rates	Fiscal Year Maturity	Outstanding Balance at June 30, 2020
Parking Decks/Surface:			
Series 2010B	5.0	2023	1,895,000
Series 2011A	5.0	2022	705,000
Series 2012A	3.0-5.0	2025	640,000
Series 2012B	5.0	2023	330,000
Series 2014B	4.0	2026	150,000
Residence Halls:			
Series 2010B	5.0	2023	5,415,000
Land Acquisition/Other:			
Series 2009A	3.75-5.0	2021	25,000
Series 2009A	3.75-5.0	2021	5,000
Series 2010A-1	4.0-5.6	2041	3,785,000
Series 2011A	5.0	2022	730,000
Series 2014A	5.0	2030	2,715,000
Series 2015B	3.0-5.0	2029	5,000,000
Series 2015B	3.0-5.0	2029	1,050,000
Series 2016A	3.0-5.0	2030	2,010,000
Series 2016A	3.0-5.0	2030	550,000
Total revenue bonds			$ 66,515,000
Total bonds payable			$ 119,735,000
Unamortized premiums - GOB bonds			$ 3,068,599
Unamortized premiums - VCBA bonds			6,614,989
Total unamortized premiums			$ 9,683,588
Installment purchases			$ 338,841
Installment purchases-direct borrowing &direct placements			2,075,348
Total long-term debt			$ 131,832,777

Long-term debt matures as follows:

	Principal	Interest
2021	$ 14,726,369	$ 5,039,759
2022	12,510,669	4,390,868
2023	11,493,424	3,860,499
2024	7,782,085	3,440,588
2025	7,964,132	3,132,608
2026-2030	33,779,133	11,464,874
2031-2035	26,088,406	5,736,829
2036-2040	14,823,715	1,788,640
2041-2045	250,648	7,000
	$129,418,581	$38,861,665

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 and direct placements 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 these commitments for fiscal years subsequent to June 30, 2020 are as follows:

	Installment Purchases		Installment Purchases from Direct Borrowing & Direct Placements	
	Principal	Interest	Principal	Interest
2021	$ 111,567	$ -	$ 290,875	$ 14,371
2022	75,758	-	295,049	10,193
2023	75,758	-	232,823	6,410
2024	75,758	-	225,985	3,196
2025	-	-	113,329	925
2026-2030	-	-	257,287	544
2031-2035	-	-	200,000	-
2036-2040	-	-	200,000	-
2041-2045	-	-	200,000	-
2046-2050	-	-	60,000	-
	$ 338,841	$ -	$ 2,075,348	$ 35,639

Defeasance of Debt

In August 2019, the Commonwealth of Virginia, on behalf of the University, issued $1,720,000 in General Obligation Refunding Bonds, Series 2019B to refund $1,813,958 of Series 2009C. The resulting net loss of $18,200 will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The details are below.

Bond Title	Bonds Refunded	Interest Rate (Bonds Refunded)	Refunding Bonds Issued	Interest Rate (Refunding Bonds)	Accounting Gain (Loss)	Reduction in Debt Service	Economic Gain (Loss)
Residence Hall, Series 2009C	$1,813,958	4.00%	$1,720,000	5.00%	($18,200)	$83,938	$82,559

At June 30, 2020, no defeased debt or bonds were outstanding.

9. 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:

Original legislative appropriations Per Chapter 854	
Educational and general programs	$30,293,238
Student financial assistance	5,962,330
Supplemental adjustments:	
Other central appropriation adjustments	992,783
Financial aid adjustments	52,910
In-State Undergraduate Tuition Moderation	1,654,000
Tech Talent Investment Program Award	424,587
Adjusted Appropriation	$39,379,848

10. COMMITMENTS

At June 30, 2020, the University was committed to construction contracts totaling approximately $47,939,308 of which $14,495,497 was unexpended due to beginning the construction of the Fine Arts Center.

The University is committed under various operating leases for buildings and equipment. In general, the leases are for a one-year term and the University has renewal options on these leases for up to three additional one-year terms. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases.

On August 1, 2002, the University entered into a fifteen-year lease agreement with the Educational Foundation for the lease of certain properties to be used for the purposes of student housing and administrative offices. In August 2017, the lease was extended for an additional five-year term totaling approximately $44,410,001 of which $19,492,874 remains outstanding on the lease commitment.

Rental expense for the fiscal year ended June 30, 2020 was $8,613,430. The University has, as of June 30, 2020 the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2021	$ 9,394,110
2022	9,550,711
2023	897,485
2024	
Total	$ 19,842,306

11. 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 following table:

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

		performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined	**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,

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

		<u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. 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** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **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%.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. **VaLORS:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**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. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **VaLORS:** Age 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age 60 with at least five years (60 months) of service credit. **VaLORS:** Not applicable.

		<u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>** 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. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>** Same as Plan 1. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. **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.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. **Purchase of Prior Service** Same as Plan 1.	**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** **Defined Benefit Component:** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2020 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.61% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $4,261,576 and $4,032,118 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions from the University to the VaLORS Retirement Plan were $217,292 and $212,568 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the University reported a liability of $45,484,379 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,791,650 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the University's proportion of the VRS State Employee Retirement Plan was 0.71972% as compared to 0.68938% at June 30, 2018. At June 30, 2019, the University's proportion of the VaLORS Retirement Plan was 0.25815% as compared to 0.27233% at June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of $6,009,763 for the VRS State Employee Retirement Plan and $112,606 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	VRS Deferred Outflows of Resources	VRS Deferred Inflows of Resources
Differences between expected and actual experience	$ 947,760	$ 1,223,589
Net difference between projected and actual earnings on pension plan investments	-	1,137,193
Change in assumptions	3,585,246	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,546,608	-
Employer contributions subsequent to the measurement date	4,261,576	-
Total	$ 10,341,190	$ 2,360,782

	VaLORS Deferred Outflows of Resources	VaLORS Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,105	$ 20,658
Net difference between projected and actual earnings on pension plan investments	-	28,408
Change in assumptions	101,571	2,685
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,468	64,188
Employer contributions subsequent to the measurement date	217,292	-
Total	$ 359,436	$ 115,939

$4,261,576 for the VRS Retirement Plan and $217,292 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 year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

For the year ending	VRS Retirement Plan	VaLORS Retirement Plan
June 30, 2021	$ 1,709,243	$ 30,167
June 30, 2022	$ 521,707	$ (6,694)
June 30, 2023	$ 1,397,703	$ 131
June 30, 2024	$ 90,179	$ 2,601
June 30, 2025	$ -	$ -

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 66,816,166	$ 45,484,379	$ 27,552,057

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	$ 2,516,105	$ 1,791,650	$ 1,193,129

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Annual Comprehensive Financial Report (ACFR). A copy of the 2019 VRS ACFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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: Fidelity Investments Institutional Service and Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF). The employer contribution rates will be 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 $2,538,936 for the year ended June 30, 2020. Contributions were calculated using the base salary amount of approximately $27,230,043.

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 2020 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 $228,422 for fiscal year 2020.

12. 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.

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: • **At Retirement** – For State employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. For State police 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 state agency's contractually required employer contribution rate for the year ended June 30, 2020 was 1.17% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 $702,748 and $666,026 for the years ended June 30, 2020 and June 30, 2019, respectively.

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, 2020, the University reported a liability of $7,710,415 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, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2019, the University's proportion of the VRS State Employee Health Insurance Credit Program was 0.83530% as compared to 0.81017% at June 30, 2018.

For the year ended June 30, 2020, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of $711,324. 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 proportion.

At June 30, 2020, 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	$ 4,203	$ 93,680
Net difference between projected and actual earnings on State HIC OPEB progrm investments	-	3,029
Change in assumptions	158,676	52,799
Changes in proportionate share	284,790	53,588
Employer contributions subsequent to the measurement date	702,748	
Total	$ 1,150,417	$ 203,096

$702,748 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, 2021. 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:

For the year ending		Amount
June 30, 2021	$	37,595
June 30, 2022	$	37,590
June 30, 2023	$	42,256
June 30, 2024	$	66,684
June 30, 2025	$	53,891
Thereafter	$	6,557

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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation –	
General state employees	3.5% – 5.35%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%
Investment rate of return	6.75%, net of plan investment expenses, including inflation*

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

Mortality rates – General State Employees

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

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

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

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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, 2019, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	$ 1,032,094
Plan Fiduciary Net Position	109,023
State Employee Net HIC OPEB Liability (Asset)	$ 923,071
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	10.56%

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

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

Discount Rate

The discount rate used to measure the total 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, 2019, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed 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%)
University's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 8,545,682	$ 7,710,415	$ 6,992,575

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 2019 Annual Comprehensive Financial Report (ACFR). A copy of the 2019 VRS ACFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
Eligible Employees The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
Benefit Amounts The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees: • **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer. • **Long-Term Disability (LTD)** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan. • **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.
Disability Insurance Program (VSDP) Plan Notes: • Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.

- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up 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, 2020 was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were $190,135 and $178,780 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the University reported an asset of $1,410,035 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2019 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of June 30,2018, and rolled forward to the measurement date of June 30, 2019. The University's proportion of the Net VSDP OPEB Asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the University's proportion was 0.71869 % as compared to 0.69026 % at June 30, 2018.

For the year ended June 30, 2020, the University recognized VSDP OPEB expense of $104,658. 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, 2020, 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	$ 180,534	$ 56,762
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	54,452
Change in assumptions	25,592	80,305
Changes in proportion	5,845	68,410
Employer contributions subsequent to the measurement date	190,135	
Total	$ 402,106	$ 259,929

$190,135 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, 2021. 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:

For the year ending	Amount
June 30, 2021	$ (31,156)
June 30, 2022	$ (31,147)
June 30, 2023	$ (2,208)
June 30, 2024	$ (38)
June 30, 2025	$ 857
Thereafter	$ 15,734

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net VSDP OPEB (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, 2019, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	$ 292,046
Plan Fiduciary Net Position	488,241
VSDP Net OPEB (Asset)	$ (196,195)
Plan Fiduciary Net Position as a Percentage of the VSDP OPEB Liability	167.18%

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

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

Discount Rate

The discount rate used to measure the total 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, 2019, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers are assumed 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 Total VSDP Net OPEB Asset	$ 1,280,300	$ 1,410,035	$ 1,524,981

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2019 Annual Comprehensive Financial Report. A copy of the 2019 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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. • **<u>Natural Death Benefit</u>** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **<u>Accidental Death Benefit</u>** – The accidental death benefit is double the natural death benefit. • **<u>Other Benefit Provisions</u>** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o 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 $8,463 as of June 30, 2020.

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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were $315,674 and $298,431 for the years ended June 30, 2020 and June 30, 2019, respectively.

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, 2020, the University reported a liability of $ 4,727,045 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the University's proportion was 0.29049% as compared to 0.28694% at June 30, 2018.

For the year ended June 30, 2020, the University recognized GLI OPEB expense of $129,642. 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, 2020, the University 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	$ 314,377	$ 61,314
Net difference between projected and actual earnings on GLI OPEB program investments	-	97,097
Change in assumptions	298,438	142,541
Changes in proportion	138,088	33,037
Employer contributions subsequent to the measurement date	315,674	
Total	$ 1,066,577	$ 333,989

$315,674 reported as deferred outflows of resources related to the GLI OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2021. 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:

For the year ending	Amount
June 30, 2021	$ 37,129
June 30, 2022	$ 37,133
June 30, 2023	$ 78,257
June 30, 2024	$ 120,610
June 30, 2025	$ 113,778
Thereafter	$ 30,007

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation –	
General state employees	3.5% – 5.35%
Teachers	3.5% – 5.95%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%
Locality - General employees	3.5% – 5.35%
Locality – Hazardous Duty employees	3.5% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90.

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers - General Employees

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

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

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

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

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

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

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

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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, 2019, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$6,210,030	$ 4,727,045	$3,524,387

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 2019 Annual Comprehensive Financial Report (ACFR). A copy of the 2019 VRS ACFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).
Benefit Amounts The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals: • **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • **Health Insurance** – The Line of Duty Act program provides health insurance benefits. o Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.

- Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) 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 Line of Duty Act Program (LODA) for the year ended June 30, 2020 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 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 Line of Duty Act Program (LODA) from the University were $11,998 and $12,704 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the University reported a liability of $339,591 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the University's proportion was 0.09465% as compared to 0.09588 % at June 30, 2018.

For the year ended June 30, 2020, the University recognized LODA OPEB expense of $24,230. 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, 2020, the University 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	$ 49,359	$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	672
Change in assumptions	15,934	29,439
Changes in proportion	-	24,982
Employer contributions subsequent to the measurement date	11,998	
Total	$ 77,291	$ 55,093

$11,998 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

For the year ending		Amount
June 30, 2021	$	516
June 30, 2022	$	516
June 30, 2023	$	620
June 30, 2024	$	731
June 30, 2025	$	764
Thereafter	$	7,054

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
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	7.25% – 4.75%
Ages 65 and older	5.50% – 4.75%
Year of ultimate trend rate	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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, 2019, 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	$ 361,626
Plan Fiduciary Net Position	2,839
LODA Net OPEB Liability (Asset)	$ 358,787
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

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

Discount Rate

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

Sensitivity of the 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	1.00% Decrease (2.50%)	Current Discount Rate (3.50%)	1.00% Increase (4.50%)
Covered employer's proportionate share of the Total LODA Net OPEB Liability	$ 393,950	$ 339,591	$ 296,597

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 a provision 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 7.75% decreasing to 4.75%, as well as what the 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 (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.75% decreasing to 3.75%)	Health Care Trend Rates (7.75% decreasing to 4.75%)	1.00% Increase (8.75% decreasing to 5.75%)
Covered employer's proportionate share of the Total LODA Net OPEB Liability	$ 287,121	$ 339,591	$ 405,762

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 2019 Annual Comprehensive Financial Report (ACFR). A copy of the 2019 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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. Eligibility requirements for Virginia Retirement System (VRS) retirees are as follows:

- the participant must be a retiring state employee who is eligible for a monthly retirement benefit from the VRS, and
- starts receiving (does not defer) the retirement benefit immediately upon retirement*; and
- his or her last employer before retirement was the Commonwealth of Virginia, and
- he or she was eligible for (even if not enrolled) coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage/COBRA), and,
- he or she enrolls no later than 31 days from his or her retirement date.

*For VRS retirees, this means that their employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to their 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**, the following are eligibility requirements for Optional Retirement Plan retirees:

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

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

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

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

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, 2019. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.00 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.5 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Measurement Date	June 30, 2019 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.25 years
Discount Rate	3.51%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 7.00% to 4.5% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2029

Mortality rates – Mortality rates vary by participant status

Pre-Retirement:
RP-2014 Employee Rates; males setback 1 year, 85% of rates; females setback 1 year.

Post-Retirement
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year.

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

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

Changes of Assumptions: The following actuarial assumptions were updated since the July 1, 2018 valuation based on recent experience:

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

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

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

At June 30, 2020, the University reported a liability of $6,668,084 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $678.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.98222% as compared to 0.95294% at June 30, 2018. For the year ended June 30, 2020, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of $553,949.

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 3,383,471
Changes in assumptions	-	4,619,747
Changes in proportion	828,115	-
Amounts associated with transactions subsequent to the measurement date	283,890	-
Total	$ 1,112,005	$ 8,003,218

$283,890 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2021. 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:

For the year ending	Amount
June 30, 2021	$ (1,670,514)
June 30, 2022	$ (1,670,514)
June 30, 2023	$ (1,670,514)
June 30, 2024	$ (1,363,616)
June 30, 2025	$ (662,009)
Thereafter	$ (137,936)

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

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.51%, as well as what the University's proportionate share of the Pre- Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.51%) or one percentage point higher (4.51%) than the current rate:

	1.00% Decrease (2.51%)	Current Rate (3.51%)	1.00% Increase (4.51%)
Employer's proportionate share of the Total Pre-Medicare Retiree Healthcare OPEB Liability	$ 7,132,524	$ 6,668,084	$ 6,232,522

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

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

	1.00% Decrease (6.00% decreasing to 3.50%)	Trend Rates (7.00% decreasing to 4.50%)	1.00% Increase (8.00% decreasing to 5.50%)
Employer's proportionate share of the Total Pre-Medicare Retiree Healthcare OPEB Liability	$ 5,954,878	$ 6,668,084	$ 7,512,163

13. 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, 2020, the University estimates that no material liabilities will result from such audits or questions.

14. 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, 2020 totaled $667,960. Information relating to the Commonwealth's insurance plans is available at the statewide level in the *Commonwealth's Annual Comprehensive Financial Report*.

15. 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 noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2020 cash used by the program totaled $23,606,565.

16. SUBSEQUENT EVENTS

In February 2021, the University participated in the debt restructuring initiative and entered into several promissory notes with the Virginia College Building Authority (VCBA) for the 9(d) Educational Facilities Revenue Refunding Bonds, Series 2021 issued by the VCBA under its Pooled Bond Program. The total principal amount was $22,510,000, the proceeds of which were used to refund $21,270,000 of outstanding debt. Interest payments will be made semi-annually, with coupons ranging from .48 to 5.00 percent. Principal payments will be made annually with the final payment due September 1, 2041. The refund generated $590,136 in net present value savings.

In April 2021, the University participated in the debt restructuring initiative and entered into several promissory notes with the Commonwealth of Virginia for the 9(c) General Obligation Bonds, Series 2021 issued by the Commonwealth Treasury Board. The total principal amount was $2,420,000, the proceeds of which were used to refund $2,315,000 of outstanding debt. Interest payments will be made semi-annually, with coupons ranging from 2.00 to 2.25 percent. Principal payments will be made annually with the final payment due June 1, 2037. The refund generated ($83,096) in net present value savings.

In FY2021 it was determined that the previously planned expansion of Residence Hall VII will not move forward. Therefore, the amount of $1,104,819 capitalized in construction in progress will be expensed.

17. COMPONENT UNITS

Cash and Investments

The Education Foundation and the Real Estate Foundation consider all highly liquid debt instruments purchased with a 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, 2020.

The Foundations follow FASB ASC 958-815*, Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities.

The Foundations have financial instruments that are subject to interest rate risk, consisting of debt obligations issued at variable and fixed rates. The Foundations utilized derivative financial instruments to reduce exposure to market risks from changes in interest rates. By entering into interest rate swaps, the Foundations limited exposure to changes in variable interest rates. The Foundations were exposed to credit related losses in the event of non-performance by the counter-party to the interest rate swaps; however, the counter-party is a major financial institution and the risk of loss due to non-performance is considered remote. The Foundations formally document all hedging relationships, if applicable, and assess hedge effectiveness both at inception and on an ongoing basis.

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 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 unrestricted, temporarily restricted, or permanently restricted net assets, depending upon the nature of donor restrictions.

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

Mutual Funds	$ 1,397,870
Private Equity Funds	9,624,672
Hedge Funds	31,648,415
Total investments	$ 42,670,957

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

Without Donor Restrictions	$ 3,503,832
With Donor Restrictions	39,167,125
Total investments	$ 42,670,957

Fair Value of Financial Instruments

The Foundations have adopted 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, 2020 by ASC 820-55 valuation hierarchy defined above:

	Level 1	Level 3	Total Fair Value
Education Foundation Assets:			
Mutual Funds	$ 1,397,870	$ -	$ 1,397,870
Charitable Remainder Trusts	-	2,219,561	2,219,561
Total assets in the fair value hierarchy	$ 1,397,870	$ 2,219,561	3,617,431
Investments measured at net asset value			42,153,752
Total assets at fair value			$ 45,771,183

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 vehicles that calculate net asset value as of June 30, 2020 are disclosed below:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Equity	$ 15,785,948	$ -	Quarterly	105 Days
Hedged Equity	7,216,315	-	Quarterly	105 Days
Absolute Strategies	6,497,409	299,000	Quarterly	105 Days
Fixed Income	3,029,408	-	Quarterly	105 Days
Private Investments	7,766,171	6,012,747	Not Applicable	None
Real Estate	1,858,501	-	Not Applicable	None
Total	$ 42,153,752	$ 6,311,747		

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 Education Foundation within Level 3 of the valuation hierarchy defined above as of June 30, 2020:

Fair value, beginning of year	$ 2,188,977
Realized and unrealized gains	30,584
Fair value, end of year	$ 2,219,561

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, 2020, pledges receivable are as follows:

Receivable in less than one year	$ 2,526,078
Receivable in one to five years	6,681,372
Receivable in more than five years	7,494,634
Total unconditional pledges	16,702,084
Less discount to net present value	(3,519,705)
Less allowances for uncollectible pledges receivable	(460,268)
Net unconditional pledges receivable	$ 12,722,111

Long-term pledges receivable are initially recorded by the Foundations at fair value. The present value technique is the primary input for this valuation and other inputs include an analysis of the donor's payment history, relationship with the donor, the donor's creditworthiness, and other factors. There were no changes in the valuation techniques used in valuing long-term pledges during the year ended June 30, 2020.

The table below presents information about the changes in pledges receivable for the year ended June 30, 2020:

Beginning balance	$ 16,505,633
New pledges receivable	3,588,920
Collections	(2,942,444)
Write-offs	(450,025)
Ending balance	$ 16,702,084

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 year ended June 30 are as follows:

2020	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 2020 are summarized as follows:

	Education Foundation	Real Estate Foundation
Land	$ -	$ 18,814,845
Buildings	-	110,283,553
Furniture and equipment	225,496	1,519,134
Held for sale	19,600	-
Construction in progress	-	12,569,717
	$ 245,096	$ 143,187,249
Less accumulated depreciation	(159,493)	(36,125,972)
	$ 85,603	$ 107,061,277

Education Foundation depreciation charged to expense totaled $18,001 in 2020. Real Estate Foundation depreciation charged to expense totaled $3,709,476 in 2020; capitalized interest was $216,009.

During the year ended June 30, 2017, the assets of a marina in Westmoreland County, Virginia were donated to the Real Estate Foundation. Westmoreland Marina, LLC held the assets and operated the marina. The asset was sold in October 2019 for $600,000. The Real Estate Foundation financial statements include a loss on disposal of asset of $162,061.

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 October 2020 and November 2020, respectively. 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 3.00%. This amount was 3.00% at June 30, 2020. 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, 2020 consists 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, 2020 was 5.00%. Principal payments of $12,815 are due monthly and the note matures August 2029.	$ 1,042,861
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, 2020 was 3.75%. Principal and interest payments of $14,238 are due monthly with the balance due July 2032.	1,773,317
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.	8,947,977
Atlantic Union Bank, unsecured, interest due monthly at the WSJ prime rate minus 0.25%. The interest rate at June 30, 2020 was 3.00%. Principal is due annually each August beginning in 2016 at various amounts between $42,000 and $52,600, balance is due June 2025.	1,158,050
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 4.25%. Monthly principal payments of $59,594, balance due December 2043.	10,640,097
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 June 2028.	2,091,397
Less unamortized debt issuance costs	(534,468)
Total	$25,119,231

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, 2020, the balance outstanding on the bonds was $2,342,119. The bonds mature in June 2026.

In November 2001, the Real Estate Foundation entered into an agreement with the Economic Development Authority of New Kent County, Virginia, under which the Authority issued $10.0 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. In December 2018, the bonds were refinanced through the Economic Development Authority of Newport News at a rate of 3.85%. Principal payments of $31,145 are paid monthly and interest due is paid monthly. At June 30, 2020, the balance outstanding on the bonds was $5,014,135. The bonds mature in December 2023.

In July 2002, the Real Estate Foundation entered into an agreement with the Economic Development Authority of New Kent County, Virginia, under which the Authority issued $5.5 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 December 2018, the bonds were refinanced through the Economic Development Authority of Newport News at a rate of 3.85%. Principal payments of $17,748 are paid monthly and interest due is paid monthly. At June 30, 2020, the balance outstanding on the bonds was $2,857,198. The bonds mature in December 2023.

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. The bonds were payable interest only until November 2005 at 67% of LIBOR, at which time principal curtailments began. 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. At June 30, 2020, the balance outstanding on the bonds was $19,617,773. 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 at a variable interest rate of 65% of LIBOR plus 1.5% with a cap of 3.5% until June 1, 2022 and 3.82% thereafter. The interest rate at June 30, 2020 was 1.61%. Principal payments vary and are paid annually in August and interest due is paid quarterly. At June 30, 2020, the balance outstanding on the bonds was $5,909,500. The bonds mature in August 2036.

In November 2013, 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 LIBOR plus 1.6% with a floor of 1.92% and a cap of 4.5%. The interest rate at June 30, 2020 was 1.92%. Principal payments of $68,000 are paid monthly and interest due is paid monthly. At June 30, 2020, the balance outstanding on the bonds was $31,457,465. 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%. Monthly payments of $66,117 for principal and interest will begin in January 2021. At June 30, 2020, the balance outstanding on the bonds was $10,182,816. The bonds mature in December 2045.

Unamortized debt issuance costs for bonds payable at June 30, 2020 was $1,989,858.

The Real Estate Foundation has entered into various letters of credit and credit line deeds of trust as additional security for each of the bond issuances. In addition, some of the note and bond payable agreements contain certain financial covenants pertaining to debt service coverage and lease payment coverage.

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

Year	Amount
2021	$ 4,505,654
2022	4,761,206
2023	4,902,663
2024	10,436,760
2025	5,402,949
Thereafter	73,025,473
	$ 103,034,705

Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closure for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundations operate. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Foundations. To date, the Foundations are experiencing a slight decline in commercial rent revenues and minor delays in the receipt of pledge payments. For the year ended June 30, 2020, approximately 46% of total revenues were derived from a master lease agreement with the University. Pledges receivable at June 30, 2020 include amounts from a single donor and represent approximately 43% of the pledges receivable balance. These concentrations make it reasonably possible that the Foundations are vulnerable to the risk of a near-term severe impact. Additionally, it is reasonably possible that estimates made in the Foundations' financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including mainly the timing of the payments of pledges receivable. The Foundations do no expect to recognize any tax benefits from the CARES Act.

Subsequent Events

In December 2020, the Real Estate Foundation's Note Payable with Towne Bank for Hidenwood Shopping Center had an interest rate reduction from 4.25% to 3.50% for the remainder of its term of 23 years. Total amount of the modified note is $10,520,575, which matures in December 2043.

In February 2021, the total bond amount for the Real Estate Foundation's Bond VII's with the Industrial Development Authority of the City of Newport News was reduced from $14,000,000 to $12,913,430 at its current rate of 2.90% for 25 years. This was done to match the cost of construction of the new President's Residence Hall. The bond matures in December 2045.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Cost-Sharing Employer Plans –
VRS State Employee Retirement Plan and VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2020

Schedule of Christopher Newport University's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Years Ended June 30, 2020, 2019, 2018, 2017, 2016 and 2015*

	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
2020	0.72%	$ 45,484,379	$ 29,823,358	152.51%	75.13%
2019	0.69%	$ 37,321,000	$ 28,244,448	132.14%	77.39%
2018	0.68%	$ 39,863,000	$ 27,041,060	147.42%	75.33%
2017	0.67%	$ 44,560,000	$ 26,521,211	168.02%	71.29%
2016	0.66%	$ 40,702,000	$ 25,863,124	157.37%	72.81%
2015	0.62%	$ 34,952,000	$ 23,839,726	146.61%	74.28%

* The amounts presented have a measurement date of the previous fiscal year end.
Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

Schedule of Christopher Newport University's Share of Net Pension Liability
VaLORS Retirement Plan
For the Years Ended June 30, 2020, 2019, 2018, 2017, 2016 and 2015*

	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
2020	0.26%	$ 1,791,650	$ 983,656	182.14%	68.31%
2019	0.27%	$ 1,697,000	$ 961,097	176.57%	69.56%
2018	0.26%	$ 1,720,000	$ 976,185	176.20%	67.22%
2017	0.29%	$ 2,266,000	$ 1,005,098	225.45%	61.01%
2016	0.27%	$ 1,911,000	$ 903,094	211.61%	62.64%
2015	0.24%	$ 1,621,000	$ 842,938	192.30%	63.05%

* The amounts presented have a measurement date of the previous fiscal year end.
Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

Schedule of Employer Contributions
VRS State Employees Retirement Plan
For the Years Ended June 30, 2011 through 2020

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
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%
2014	$ 2,106,422	$ 2,106,422	$ -	$ 23,839,726	8.84%
2013	$ 2,223,079	$ 2,223,079	$ -	$ 23,472,417	9.47%
2012	$ 1,845,016	$ 1,845,016	$ -	$ 21,730,079	8.49%
2011	$ 2,155,556	$ 2,155,556	$ -	$ 21,009,959	10.26%

Schedule of Employer Contributions
VaLORS State Employees Retirement Plan
For the Years Ended June 30, 2011 through 2020

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
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%
2014	$ 126,032	$ 126,032	$ -	$ 842,938	14.95%
2013	$ 122,117	$ 122,117	$ -	$ 820,404	14.88%
2012	$ 45,656	$ 45,656	$ -	$ 641,626	7.12%
2011	$ 30,889	$ 30,889	$ -	$ 605,309	5.10%

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

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

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

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

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June effective June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Required Supplementary Information
For Other Post-Employment Benefit Plans
For the Fiscal Year Ended June 30, 2020

Schedule of Christopher Newport University's Share of Net OPEB Liability (Asset)
For the Fiscal Years Ended June 30, 2020, 2019 and 2018*

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	2020	0.29%	$ 4,727,045	$ 57,390,577	8.24%	52.00%
GLI	2019	0.29%	$ 4,358,000	$ 56,731,346	7.68%	51.22%
GLI	2018	0.27%	$ 4,204,000	$ 51,599,808	8.15%	48.86%
HIC	2020	0.84%	$ 7,710,415	$ 56,925,299	13.54%	10.56%
HIC	2019	0.81%	$ 7,391,000	$ 56,282,881	13.13%	9.51%
HIC	2018	0.79%	$ 7,252,000	$ 51,109,492	14.19%	8.03%
LODA	2020	0.09%	$ 339,591	$ 1,107,679	30.66%	0.79%
LODA	2019	0.10%	$ 300,000	$ 1,085,905	27.63%	0.60%
LODA	2018	0.11%	$ 276,000	$ 1,097,450	25.15%	1.30%
VSDP	2020	(0.72%)	$ (1,410,035)	$ 28,835,484	(4.89%)	167.18%
VSDP	2019	(0.69%)	$ (1,554,000)	$ 28,118,333	(5.53%)	194.74%
VSDP	2018	(0.68%)	$ (1,412,000)	$ 25,590,152	(5.52%)	186.63%

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

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

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Christopher Newport University's Share of Total
Pre-Medicare Retiree Healthcare Program (PMRH) Liability
For the Fiscal Years Ended June 30, 2020, 2019 and 2018*

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	2020	0.98%	$ 6,668,084	$ 61,690,493	10.81%	N/A
PMRH	2019	0.95%	$ 9,583,154	$ 59,065,851	16.22%	N/A
PMRH	2018	0.93%	$ 12,087,409	$ 56,507,947	21.39%	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 2020 is the third year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Christopher Newport University's OPEB Contributions
For the Years Ended June 30, 2018 through 2020

	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
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	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	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	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 2020 is the third 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, 2020

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

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

General State Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate (does not apply to LODA)	Decrease rate from 7.00% to 6.75%

Teachers (GLI):

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate (does not apply to LODA)	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate (does not apply to LODA)	Decrease rate from 7.00% to 6.75%

JRS Employees (GLI, HIC):

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

Largest 10 Locality Employers – General Employees (GLI):

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

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

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

Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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

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

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

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

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

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

PMRH:

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 21, 2021

The Honorable Ralph S. Northam
Governor of Virginia

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

Board of Visitors
Christopher Newport University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Notes 1 and 17. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 86 through 88; the Schedule of Christopher Newport University's Share of Net OPEB Liability, the Schedule of Christopher Newport University's OPEB Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Disability Insurance, Group Life Insurance, and Line of Duty Act programs on pages 89 through 94; the Schedule of Christopher Newport University's Share of Total OPEB Liability and the Notes to the Required Supplementary

Information for the Pre-Medicare Retiree Healthcare program on pages 89 and 94. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2021, on our consideration of Christopher Newport University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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

LCW/clj

CHRISTOPHER NEWPORT UNIVERSITY
Newport News, Virginia

Christopher Newport
University
1 Avenue of the Arts • Newport News, VA 23606-3072
cnu.edu