



Financial Report
For the year ended June 30, 2023

University of
Mary Washington

TABLE OF CONTENTS

Management's Discussion and Analysis (Unaudited).....	2
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15
Notes to the Financial Statements	17
Required Supplementary Information.....	85
Notes to Required Supplementary Information.....	92
Independent Auditor's Report.....	96
University Officials	100

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

The following unaudited Management’s Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board’s (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the University’s financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University’s financial condition and results of operations for the fiscal year ended June 30, 2023. Comparative numbers are included for the fiscal year ended June 30, 2022. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, as well as notes, and other supplementary information included in this report. The University’s management is responsible for all of the financial information presented, including this discussion and analysis.

The University’s financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB 37, 38 and 63. The three required financial statements are the *Statement of Net Position*, the *Statement of Revenues, Expenses, and Changes in Net Position*, and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sections.

Using criteria provided in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity Omnibus, amendments to GASB Statement 14 and 34*, the University’s two affiliated organizations were evaluated on the nature and significance of their relationship to the University. The University of Mary Washington Alumni Association is not considered a component unit; however, information regarding its financial activity can be found in Note 20 of the *Notes to the Financial Statements*. The University of Mary Washington Foundation was determined to be a component unit and is presented in a separate column on the University’s financial statements. The Foundation is not part of this MD&A, but additional detail regarding its financial activities can be found in Note 21 of the *Notes to the Financial Statements*.

Overview

The University of Mary Washington is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award baccalaureate and masters degrees. The University of Mary Washington also may offer credentials such as certificates and diplomas at approved degree levels. Questions about the accreditation of the University of Mary Washington may be directed in writing to the Southern Association of Colleges and Schools Commission on Colleges at 1866 Southern Lane, Decatur, GA 30033-4097, by calling (404) 679-4500, or by using information available on SACSCOC’s website (www.sacscoc.org).

The University of Mary Washington (UMW) is a premier, selective, coeducational, public institution and one of Virginia’s outstanding public liberal arts universities. The University is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia’s *Annual Comprehensive Financial Report*. The twelve members of UMW’s Board of Visitors govern University operations. Members of the board are appointed by the Governor of Virginia.

In addition to its primary location in the heart of historic Fredericksburg, Virginia, UMW has two other campuses – one in Stafford, which caters to graduate degree and continuing education programs, and another in Dahlgren offering continuing education and professional development courses for the region’s engineers, scientists and administrative professionals. There are three academic colleges – arts and sciences, business, and education – all of which produce graduates who are critical thinkers prepared to succeed. The University operates a Center for Economic Development that connects faculty and students with regional initiatives and businesses seeking their assistance. The University also oversees the James Monroe Museum and Law Library in historic Fredericksburg and the Gari Melchers’ Home and Studio at Belmont in neighboring Stafford.

UMW’s College of Business is fully accredited by the Association to Advance Collegiate Schools of Business (AACSB), an accreditation earned by only 6% of the world’s schools offering business degrees. The College of Education’s initial-licensure and advanced-level educator preparation programs are accredited by the Council for the Accreditation of Educator Preparation (CAEP). Chemistry has

been approved by the American Chemical Society (ACS) to offer certified degrees in chemistry, and the baccalaureate degree in nursing is accredited by the Commission on Collegiate Nursing Education.

There are almost 4,000 students enrolled in undergraduate, graduate and professional studies programs. Students at UMW learn from master teachers; 94 percent of full-time faculty have earned a doctorate or other terminal degree in their field. The University has no graduate teaching assistants. UMW offers more than 90 majors, minors, graduate and other programs. Additionally, UMW students participate in a rich array of undergraduate research, internship and study abroad programs, and capitalize on leadership, service and recreational opportunities. UMW's 19 intercollegiate athletic teams compete in the NCAA Division III Coast to Coast Athletic Conference, the New Jersey Athletic Conference and the Coastal Lacrosse Conference. UMW Athletics also sponsors three team sports in men's and women's rugby, as well as the recent addition of esports. The University also offers over 20 club sports and outstanding recreational facilities, including a fitness center and an indoor and outdoor tennis complex.

The University continues to receive national recognition for its programs and value. The *U.S. News & World Report, 2023 Best Colleges* ranked UMW 11th among public liberal arts colleges and 149th among national liberal arts colleges, both public and private. The guide also included UMW on its "Top Performers for Social Mobility" list. *The Princeton Review, 2024*, named UMW one of "The Best 389 Colleges", and the *Fiske Guide to Colleges, 2024* included UMW on the list of the top 300 "best and most interesting" public and private colleges and universities in the nation, Canada, Great Britain and Ireland. *The Princeton Review* also includes UMW among the *2023 Guide to Green Colleges*, and UMW has been designated as a Tree Campus USA since 2015.

The University's strategic goals include promoting service, community and civic engagement, immersing students in applied and impactful learning experiences, adapting the liberal arts to an age of acceleration and a global digital environment, and creating a diverse and inclusive community as an essential requirement for academic excellence and academic success. As a public, liberal arts university, the UMW community is dedicated to providing a diverse, accepting, and supportive environment that holds all of its members to the highest standards of conduct, scholarship, integrity, inclusiveness, respect, and engagement. Through a commitment to these values, we strive to transform our academic community into a place where all will learn, thrive, and grow.

COVID-19 did not impact the University to the same degree in fiscal year 2023 as in the previous three fiscal years. The University remains committed to mitigating the spread of COVID-19 by monitoring the situation locally and nationally, ensuring the campus is informed of rises in positive cases in the area. In fiscal year 2023, the University continued to ensure measures and technology were in place to support hybrid learning and work environments. The U.S. Department of Education provided Higher Education Emergency Relief Funds (HEERF) to the University in fiscal year 2023 totaling \$1.3 million for institutional support to offset costs of mitigating COVID-19. The University provided \$0.3 million of the institutional support to students with financial need. In addition, the University received \$1.8 million in HEERF funding and \$1.7 million in Governor's Emergency Relief Funds, all of which was provided directly to students in need.

Statement of Net Position

The *Statement of Net Position* (SNP) presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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 its 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 made up of the following.

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net less outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.
- **Restricted nonexpendable net position** – Restricted nonexpendable 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.
- **Restricted expendable net position** – Restricted expendable net position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- **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.

As reflected in the chart below, GASB 96, *Subscription Based Information Technology Arrangements* (SBITAs), required restatement of prior year assets and liabilities. GASB 96 is further discussed in Note 2. The University's total assets and deferred outflows increased \$6.4 million, or 1.2%, during fiscal year 2023, bringing total assets and deferred outflows to \$528.7 million at year end. Current assets grew \$5.2 million, or 13.7%, primarily due to the increase in unrestricted cash resulting from debt savings related to the Commonwealth's refinancing of debt in fiscal year 2021 that deferred principal payments on debt in fiscal years 2022 and 2023. Due from Commonwealth, which represents appropriations receivable and restricted for capital projects, increased \$12.0 million due to new appropriation for the campus-wide accessibility project that wasn't expended in fiscal year 2023 and remaining appropriation for the repair and replace utilities project and fine arts complex project.

Net capital assets includes land, construction in progress (CIP), buildings, infrastructure, improvements, equipment and intangible right-to-use leased assets and subscription-based information technology arrangements (SBITAs) less depreciation and amortization. The University's net capital assets decreased \$6.5 million, 1.4%. Capital assets are discussed further in the following section and in Note 6.

Virginia Retirement System (VRS) pension and other post-employment benefits transactions, as required by GASB 68 and GASB 75, make up \$6.4 million of deferred outflows of resources, and debt related deferred outflows make up the remaining \$1.3 million. Deferred outflows of resources represent the consumption of net assets applicable to a future reporting period.

The University's liabilities and deferred inflows decreased \$11.0 million, or 3.2%, during fiscal year

Summary of Statement of Net Position

For the years ended June 30, 2023 and 2022
(All \$ in millions)

	2023	2022*	Change Amount	Change Percent
Assets				
Current assets	\$ 43.1	\$ 37.9	5.2	13.7%
Net capital assets*	452.4	458.9	(6.5)	(1.4)%
Due from Commonwealth	18.9	6.9	12.0	173.9%
Other assets	6.6	9.5	(2.9)	(30.5)%
Deferred outflows of resources	7.7	9.1	(1.4)	(15.4)%
Total assets & deferred outflows	528.7	522.3	6.4	1.2%
Liabilities				
Current liabilities	32.8	24.0	8.8	36.7%
Noncurrent liabilities*	282.7	291.9	(9.2)	(3.2)%
Deferred inflows of resources	15.6	26.2	(10.6)	(40.5)%
Total liabilities & deferred inflows	331.1	342.1	(11.0)	(3.2)%
Net position				
Net investment in capital assets	192.9	195.0	(2.1)	(1.1)%
Restricted	21.5	9.1	12.4	136.3%
Unrestricted	(16.8)	(23.9)	7.1	29.7%
Total net position	\$197.6	\$180.2	\$17.4	9.7%

Current assets excludes Due from Commonwealth, current

*GASB 96, SBITA, required restatement

2023 bringing total liabilities and deferred inflows to \$331.1 million. The decrease is primarily due to a decrease in pension liabilities and the related deferred inflows.

Noncurrent liabilities of \$282.7 million make up the majority of the total liabilities and deferred inflows of resources. The noncurrent liabilities total is made up primarily of capital debt of \$239.7 million, debt on leases and SBITAs of \$9.3 million and pension and other post-employment benefit liabilities of \$32.5 million. Current liabilities of \$32.8 million is primarily the combination of debt payments due within one year of \$9.3 million, leases and SBITAs payable within one year of \$2.7 million, accrued vendor and retainage payable of \$6.6 million, and accrued salaries payable of \$7.2 million.

The University did not incur additional debt on capital assets in fiscal year 2023, nor was it required to make principal payments on debt that was refinanced by the Virginia Department of Treasury in fiscal year 2021. Total current and noncurrent capital debt decreased \$2.7 million, and pension and other post-employment benefit liabilities decreased \$2.9 million. GASB 96 for SBITAs required the University to report a beginning balance adjustment to long-term liabilities of \$6.2 million. Liabilities related to leases and SBITAs decreased \$1.7 million during the fiscal year. Debt and other noncurrent liabilities are further discussed in Notes 8, 9, 10 and 11.

Debt related deferred inflows of resources make up \$1.5 million of total deferred inflows of resources. Deferred inflows related to lease receivables totaled \$1.5 million in fiscal year 2023. VRS pension and other post-employment benefit transactions make up \$12.6 million of deferred inflows of resources. The \$10.5 million decrease in deferred inflows of resources is due to VRS’s higher than expected investment returns. Deferred inflows of resources represent the acquisition of net assets applicable to a future reporting period.

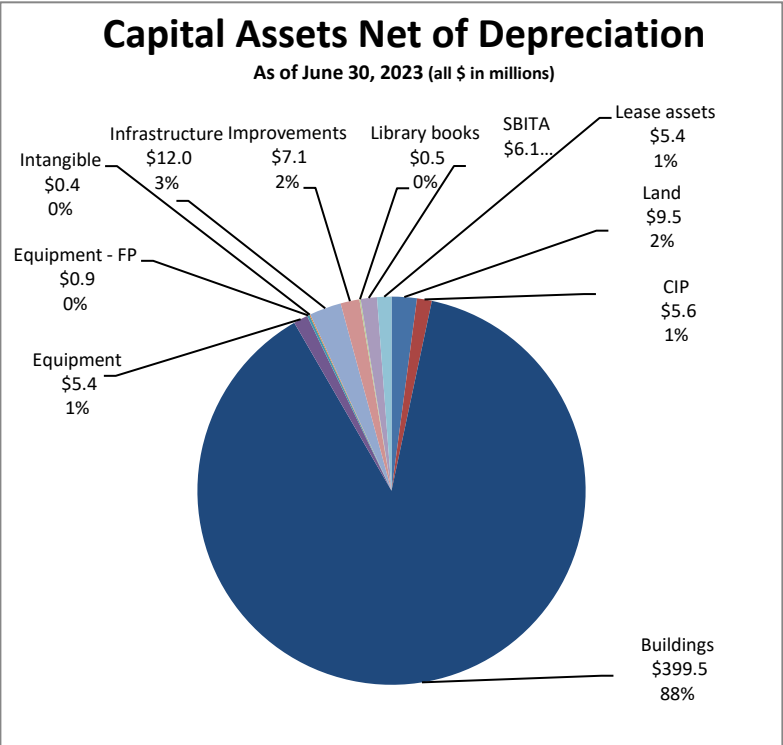
The University’s restricted net position increased \$12.4 million due to unspent capital appropriations relating to the campus accessibility project, the underground utility repair project and the fine arts complex project. Funds will be reappropriated in fiscal year 2024. Unrestricted net position is negatively impacted by the GASB 68 and GASB 75 requirements to record net amounts related to pensions and other post-employment benefits. Those liabilities and inflows and outflows of resources contributed \$37.9 million to the negative unrestricted net position.

Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the University’s academic and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current structures. Investment in new structures and the upgrade of current structures serves to enrich high-quality instructional programs and residential lifestyles.

Note 6 of the *Notes to Financial Statements* describes the University’s investment in depreciable and non-depreciable capital assets in more detail. The table

Construction in Progress	
For the year ended June 30, 2023	
(All \$ in millions)	
	Project Amount
Fine arts	2.6
Repair/Replace Utilities	2.2
Other	0.8
Total construction in progress	\$ 5.6



above indicates capital projects still in progress at year end. The University saw a net increase in construction in progress of \$4.4 million primarily due to work continuing on the fine arts complex and the repair and replace utilities projects, bringing construction in progress to \$5.6 million at fiscal year-end. The University completed renovations of Farmer Hall, as well as work at the Battleground Athletic Fields, increasing capital assets \$2.7 million. The University also added \$1.7 million in instructional and research equipment and library books to capital assets in fiscal year 2023. The chart on the previous page shows capital assets net of depreciation by category. Capital assets are further described in Note 6.

Capital projects in progress carry commitments to construction contractors, architects, and engineers totaling \$10.2 million at June 30, 2023. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the University's financial statements. Additional information can be obtained in Note 14 of the *Notes to Financial Statements*.

Notes 8, 9, 10 and 11 of the *Notes to Financial Statements* contain information about the long-term liabilities of the University. All debt of the University is directly related to the acquisition of capital assets.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

As previously discussed, the University remained committed to mitigating the spread of COVID-19 by monitoring the situation locally and nationally, ensuring the campus was informed of rises in positive cases in the area. The University continued to ensure measures and technology were in place to support hybrid learning and work environments. The University was provided some relief through federal programs developed to assist colleges and universities during the pandemic.

Operating Revenue

The summary of revenue table displays operating, non-operating and other revenue changes from the prior year. The University's total operating revenue increased \$1.0 million, 1.5%, from the previous fiscal year. Auxiliary enterprises revenue increased \$1.9 million, 4.5%, reflecting the Board approved increase in auxiliary fees, and room and board rates. Tuition rates increased 3% from 2022 to 2023. However, scholarship expense increased and enrollment decreased, resulting in a decrease in net tuition revenue of \$1.6 million.

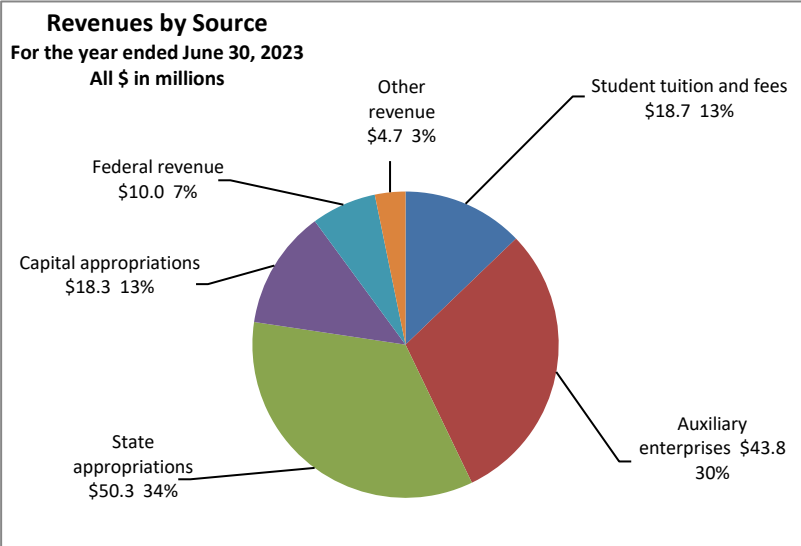
Summary of Revenue For the years ended June 30, 2023 and 2022 (All \$ in millions)

	2023	2022	Change Amount	Change Percent
Operating revenue				
Student tuition and fees, net	\$ 18.7	\$ 20.3	\$(1.6)	(7.9)%
Grants and contracts	2.5	2.2	0.3	13.6%
Auxiliary enterprises, net	43.8	41.9	1.9	4.5%
Other operating revenue	1.6	1.2	0.4	33.3%
Total operating revenue	66.6	65.6	1.0	1.5%
Non-operating revenue				
State appropriations	50.3	44.4	5.9	13.3%
Federal Pell grant revenue	3.7	3.6	0.1	2.8%
Other non-operating revenue	6.9	3.1	3.8	122.6%
Total non-operating	60.9	51.1	9.8	19.2%
Other revenue				
Capital appropriations	18.3	22.2	(3.9)	(17.6)%
Capital gifts and Contributions	0.0	0.4	(0.4)	(100.0)%
Total other revenue	18.3	22.6	(4.3)	(19.0)%
Total revenue	\$145.8	\$139.3	\$6.5	4.7%

Non-Operating and Other Revenue

Non-operating revenue increased \$9.8 million, 19.2%, in fiscal year 2023. State appropriations increased \$5.9 million, 13.3%. The \$3.8 million increase in other non-operating revenue is due to the increase in Higher Education Emergency Relief Funds (HEERF) from the previous fiscal year and \$1.2 million in pension and other post-employment benefit special contributions provided by the Commonwealth. The University recorded \$3.5 million in COVID Relief Funds for student support and \$1.3 million for institutional support in fiscal year 2023.

Other revenue consists of capital appropriations and capital gifts and contributions. Capital appropriations decreased \$3.9 million due to completion of large construction projects in the previous fiscal year. Capital gifts includes equipment donations from the foundation and donated library books and was less than \$100,000 in fiscal year 2023.



Total Expenses

The expenses of the University can also be separated into operating and non-operating expenses. The operating expenses of the University can be divided either by natural classification or by function. Note 12 in the *Notes to Financial Statements* displays the correlation between the two different methods of classification. Functional classification is the method presented in the *Statement of Revenues, Expenses, and Changes in Net Position*.

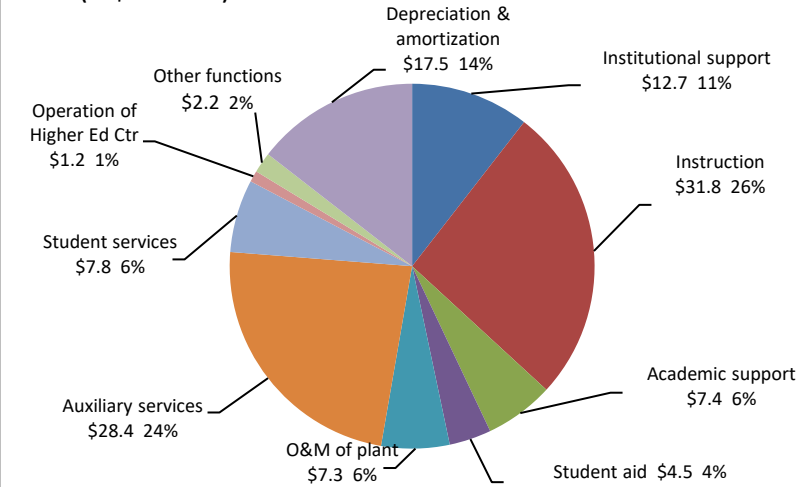
Overall, the operating expenses of the University increased \$13.5 million, 12.6%, in fiscal year 2023. The adjacent table provides a year to year comparison of operating expenses by function.

When looking at the expenses of the University by function, the largest expenses are those of instruction and auxiliary services. These functions represent the core of any University – the education of students as well as their housing and dining. The largest increase in operating expenses was in auxiliary services, \$6.3 million or 28.5%.

Summary of Expenses by Function For the years ended June 30, 2023 and 2022
(All \$ in millions)

	2023	2022	Change Amount	Change Percent
Operating expenses				
Instruction	\$31.8	\$28.8	\$3.0	10.4%
Research	0.4	0.2	0.2	100.0%
Public service	0.6	0.5	0.1	20.0%
Academic support	7.4	7.8	(0.4)	(5.1)%
Student services	7.8	7.6	0.2	2.6%
Institutional support	12.7	13.1	(0.4)	(3.1)%
Operation & maintenance of plant	7.3	7.6	(0.3)	(3.9)%
Depreciation and amortization	17.5	14.3	3.2	22.4%
Student aid	4.5	3.2	1.3	40.6%
Auxiliary services	28.4	22.1	6.3	28.5%
Operation of Higher Ed. Centers	1.2	1.1	0.1	9.1%
Museum & cultural services	0.8	0.7	0.1	14.3%
Historic attraction management	0.4	0.3	0.1	33.3%
Total operating expenses	\$120.8	\$ 107.3	\$13.5	12.6%

Expenses by Function
For the year ended June 30, 2023
(All \$ in millions)



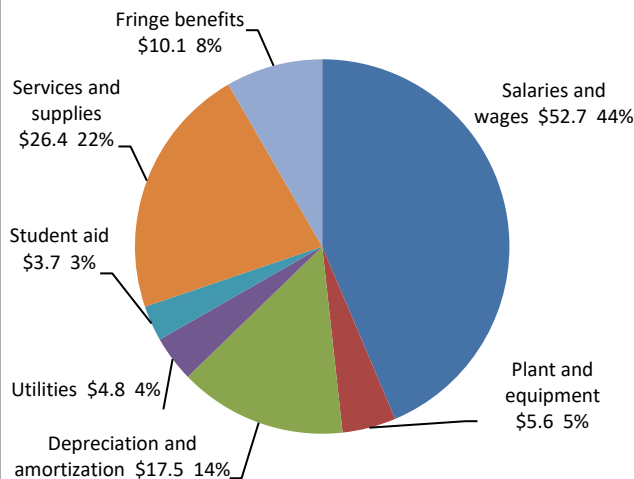
Most of the increase in auxiliary services expense is due to \$3.5 million in auxiliary recoveries recorded in fiscal year 2023 that were not recorded in fiscal years 2021 or 2022, as allowed by the Commonwealth during the COVID-19 pandemic. Utility costs increased overall, impacting auxiliary services \$0.8 million. Auxiliary salaries and fringes also increased \$0.8 million, reflecting increases approved by the General Assembly and effective July 2022.

Most of the increase in instruction expenses is primarily due to the previously mentioned salary increase, \$1.8 million. Expenses for instructional services and supplies increased \$0.9 million.

The \$3.2 million increase in depreciation and amortization is due to the addition of amortization on intangible right-to-use SBITA assets related to GASB 96.

When looking at the expenses of the University by natural classification the largest expenses incurred are those for salaries and wages of employees. The \$2.4 million increase in salaries, wages and fringes is due to the previously discussed state increases effective July 2022 offset by auxiliary recoveries. The increase in services and supplies is primarily due to the auxiliary recoveries recorded in fiscal year 2023 that were not recorded in the previous year. The \$1.5 million increase in Student aid expense is directly related to the additional HEERF funds received. The University increased its investments in and maintenance of plant and equipment by \$2.9 million in fiscal year 2023.

Expenses by Natural Classification
For the year ended June 30, 2023
(All \$ in millions)



Summary of Expenses by Natural Classification

For the years ended June 30, 2023 and 2022
(All \$ in millions)

	2023	2022	Change Amount	Change Percent
Operating expenses				
Salaries and wages	\$ 52.7	\$ 51.1	\$1.6	3.1%
Fringe benefits	10.1	9.3	0.8	8.6%
Services and supplies	26.4	24.1	2.3	9.5%
Utilities	4.8	3.6	1.2	33.3%
Plant and equipment	5.6	2.7	2.9	107.4%
Student aid	3.7	2.2	1.5	68.2%
Depreciation and amortization	17.5	14.3	3.2	22.4%
Total operating expenses	\$120.8	\$107.3	\$13.5	12.6%

Changes in Net Position

The increase in operating revenues minus the increase in operating expenses resulted in an operating loss \$12.5 million larger in fiscal year 2023 than in the previous fiscal year. The University recognized an operating loss for fiscal year 2023 of \$54.2 million. Non-operating revenue, in the form of state appropriations and capital appropriations, was used to offset the operating loss of the University. The University's fiscal year end 2023 net position of \$197.6 million is \$17.4 million higher than it was at the end of fiscal year 2022.

The table below summarizes fiscal year 2023 changes in net position.

Summary of Revenues, Expenses and Changes in Net Position				
For the years ended June 30, 2023 and 2022				
(All \$ in millions)				
	2023	2022	Change Amount	Change Percent
Operating revenues	\$ 66.6	\$ 65.6	\$ 1.0	1.5%
Operating expenses	120.8	107.3	13.5	12.6%
Operating loss	(54.2)	(41.7)	(12.5)	(30.0)%
Non-operating revenues and expenses	53.3	43.6	9.7	22.2%
Gain (loss) before other revenues, expenses, gains/losses	(0.9)	1.9	(2.8)	(147.4)%
Other revenues, expenses, gains or losses	18.3	22.5	(4.2)	(18.7)%
Increase in net position	17.4	24.4	(7.0)	(28.7)%
Net position – beginning of year	180.2	155.8	24.4	15.7%
Net position – end of year	\$ 197.6	\$ 180.2	17.4	9.7%

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. The first section, *Cash flows from operating activities*, deals with operating cash flows and shows net cash used by the operating activities of the University. The *Cash flows from noncapital financing activities* section 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.

Overall, the University experienced a net increase in cash of \$1.5 million during fiscal year 2023. Cash provided by noncapital financing activities, including state appropriations and federal funds, less net cash used by operating activities resulted in cash provided to the University of \$16.5 million. Net cash used in the financing of capital projects plus cash from investment activities, resulted in cash used by the University of \$15.0 million.

Total cash and cash equivalent balances at fiscal year-end were \$40.1 million. The primary sources of operating cash for the University were from student tuition and fees, \$38.8 million, and auxiliary enterprises, \$42.9 million. The largest amounts of operating cash were spent on employee compensation and benefits, \$67.0 million, payments for services and supplies, \$25.2 million, and student scholarships, \$21.8 million.

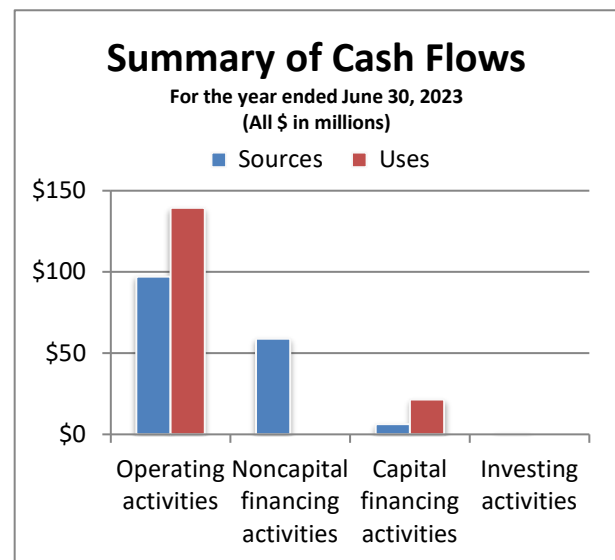
Statement of Cash Flows

For the years ended June 30, 2023 and 2022

(All \$ in millions)

	2023	2022	Change Amount	Change Percent
Net cash used by operating activities	\$ (42.3)	\$ (31.1)	\$ (11.2)	(36.0)%
Net cash provided by noncapital financing activities	58.8	52.8	6.0	11.4%
Net cash used by capital financing activities	(15.3)	(12.7)	(2.6)	(20.5)%
Net cash provided by investing activities	0.3	0.1	0.2	200.0%
Net increase/(decrease) in cash	1.5	9.1	(7.6)	(83.5)%
Cash – beginning of year	38.6	29.5	9.1	30.8%
Cash – end of year	40.1	\$38.6	\$1.5	3.9%

The primary source of cash from noncapital financing activities is state appropriations, \$50.3 million. As discussed above, GASB requires that general appropriations be shown as cash from noncapital financing activities and used to cover operating activities.



Economic Outlook

Through a combination of strategic planning and prudent management of resources, the University effectively navigated the economic uncertainties of fiscal year 2023. Given the current inflationary environment, fiscal year 2024 will require similar strategic resource allocation and continued prudent fiscal management.

In fiscal year 2024, the University expects to see slow growth in applications and enrollment. The University's Board of Visitors approved 5% increases in housing, meal plans and auxiliary fees, while keeping tuition rates flat. These increases, along with \$2 million dollars in one-time reserve funds to balance the budget, will lessen the need for budget reductions. If additional state operating funds for fiscal year 2023-24 are provided, the extent of the identified expense reductions and the use of reserve funds to balance the operating budget will be reevaluated in the context of the amount of any critical additional state funding provided.

In FY 2024, the University will invest as well in athletics, in-house legal counsel, assessments of facilities conditions, expanded mental health support, and public safety and emergency services. Other increases are likely to include food service and utility cost increases.

The state budget includes increased costs in employee compensation, employer fringe benefit rates and other state charges. State general funds only partially cover these mandated costs, thereby requiring the University to cover the remainder via tuition and fee increases or budget reallocation.

One of the critical factors in ensuring the quality of the University's academic and residential life functions is the development, renewal and maintenance of its capital assets. Maintenance of buildings, structures and underground utilities will continue into fiscal year 2024, supported by state appropriation and reserve funds. The Commonwealth's budget includes a \$15 million appropriation for the University to purchase from the Eagle Village multi-use building (MUB). The MUB currently houses our Finance Office, Procurement and University Communications, and serves as a hub for economic development, including the Fredericksburg Regional Alliance, the Germanna Foundation, and the UMW Foundation, as well as business incubation and entrepreneurship. With some renovation funds included in the amended budget, the MUB will provide a new permanent home for University Police. It will also serve as swing space during future renovations. Long term, this purchase will save the institution precious annual operating funds.

Fiscal 2023 was a record-setting year for the Office of University Advancement and Alumni Engagement. with \$21,362,093 in gifts and pledges – more than triple last year's number – made during the 2022-23 fiscal year to enhance the UMW student experience and support student financial need. Private support from 4,829 generous donors will help Mary Washington continue, in fiscal year 2024, to provide students with an outstanding public liberal arts and sciences education filled with impactful learning opportunities.

STATEMENT OF NET POSITION

For the year ended June 30, 2023

	UMW	UMW Foundation
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents (Notes 3, 21)	\$37,360,492	\$6,517,788
Securities lending cash and cash equivalents (Note 3)	682,615	
Accounts receivable, net of allowance for doubtful accounts (Note 4)	1,482,706	439,254
Bequests receivable (Note 21)		24,495,239
Notes receivable, net of allowance for doubtful accounts (Note 4)	62,183	
Leases receivable, current (Note 4)	355,086	
Pledges receivable, current portion (Note 21)		341,099
Due from Foundation (Note 19)	1,642,320	
Due from Commonwealth, current restricted (Note 5)	940,360	
Due from University (Note 19)		209,243
Inventories	156,057	
Prepaid items	1,364,356	204,171
Total current assets	\$44,046,175	\$32,206,794
Noncurrent assets:		
Restricted cash and cash equivalents (Notes 3, 21)	2,691,512	2,300,309
Restricted investments (Note 21)		70,836,870
Other restricted assets (Note 16)	1,092,271	
Notes receivable noncurrent, net of allowance for doubtful accounts (Note 4)	204,771	
Due from Commonwealth, restricted (Note 5)	18,008,574	
Due from Foundation, noncurrent (Notes 19, 21)	1,440,550	
Leases receivable, noncurrent (Notes 4)	1,146,959	
Pledges receivable, noncurrent (Note 21)		347,437
Other noncurrent assets		735,472
Non-depreciable capital assets (Notes 6, 21)	15,146,038	19,396,103
Capital assets, net of accumulated depreciation (Notes 6, 21)	424,886,673	9,882,375
Intangible right to use assets, net of accumulated amortization (Notes 6, 10, 11)	12,354,083	
Total noncurrent assets	\$476,971,431	\$103,498,566
Total assets	\$521,017,606	\$135,705,360
Deferred outflows of resources:		
Deferred outflows of resources - debt	1,259,881	
Deferred outflows of resources - pensions (Note 15)	4,383,504	
Deferred outflows of resources - post-employment benefits (Note 16)	2,063,453	
Total deferred outflows of resources	\$7,706,838	
Total assets and deferred outflows	\$528,724,444	\$135,705,360

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

STATEMENT OF NET POSITION (CONTINUED)

For the year ended June 30, 2023

	UMW	UMW Foundation
Liabilities and deferred inflows of resources		
Current liabilities:		
Accounts payable (Note 7, 21)	16,474,005	784,385
Unearned revenue	1,117,803	24,114
Deposits payable	1,175,671	
Obligations under securities lending program	682,615	
Due to Commonwealth	243	
Due to Foundation (Note 19)	209,243	
Due to University (Note 19)		1,642,320
Long-term liabilities - debt, current (Notes 8, 9, 21)	9,306,563	20,776,437
Long-term liabilities - other post-employment benefits, current (Notes 8, 16)	275,874	
Long-term liabilities - leases, current (Notes 8, 10)	990,067	
Long-term liabilities - SBITAs, current (Notes 2, 8, 11)	1,601,404	
Long-term liabilities - financed purchase, current (Notes 8, 9)	124,896	
Long-term liabilities - compensated absences, current (Note 8)	798,179	
Total current liabilities	\$32,756,563	\$23,227,256
Noncurrent liabilities:		
Long-term liabilities - debt, noncurrent (Notes 8, 9, 21)	239,681,688	2,172,048
Long-term liabilities - pension, noncurrent (Notes 8, 15)	22,969,483	
Long-term liabilities - other post-employment benefits, noncurrent (Notes 8, 16)	9,536,365	
Long-term liabilities - leases, noncurrent (Notes 8, 10)	4,618,542	
Long-term liabilities - SBITAs, noncurrent (Notes 2, 8, 11)	3,915,440	
Long-term liabilities - financed purchase, noncurrent (Notes 8, 9)	787,349	
Long-term liabilities - compensated absences, noncurrent (Note 8)	886,962	
Amounts due to University - noncurrent (Note 21)		1,440,550
Deposits payable - noncurrent		6,060
Federal Perkins loan program contributions refundable (Note 8)	306,199	
Total noncurrent liabilities	\$282,702,028	\$ 3,618,658
Total liabilities	\$315,458,591	\$ 26,845,914
Deferred Inflows of Resources:		
Deferred Inflows of Resources - debt	1,542,376	
Deferred Inflows of Resources - leases	1,502,045	
Deferred Inflows of Resources - other post-employment benefits (Note 16)	6,188,495	
Deferred Inflows of Resources - pensions (Note 15)	6,452,061	
Total deferred inflows of resources	\$15,684,977	
Total liabilities and deferred inflows	\$331,143,568	\$ 26,845,914
Net position		
Net investment in capital assets	192,892,372	5,284,864
Restricted for nonexpendable - permanently restricted		77,600,450
Restricted for expendable:		
Restricted for expendable - capital projects	18,008,574	
Restricted for expendable - OPEB	1,190,653	
Restricted for expendable - loans	431,940	
Restricted for expendable - sponsored programs	1,881,979	
Restricted for expendable - research	20,516	
Restricted for expendable - temporarily restricted		32,729,038
Unrestricted	(16,845,158)	(6,754,906)
Total net position	\$197,580,876	\$108,859,446

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2023

	UMW	UMW Foundation
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$21,025,251	18,747,964	
Federal grants and contracts	963,608	
State grants and contracts	667,001	
Nongovernmental grants and contracts	907,712	
Auxiliary enterprises, net of scholarship allowances of \$852,420	43,779,030	
Rental revenue		2,062,467
Gifts, grants and contributions		1,974,650
Other operating revenues	1,573,861	94,643
Total operating revenues	\$66,639,176	\$4,131,760
Operating expenses: (Note 12)		
Instruction	31,784,210	
Research	403,135	
Public service	682,735	
Academic support	7,376,263	
Student services	7,770,776	
Institutional support	12,689,478	
Operation and maintenance of plant	7,347,939	
Depreciation and amortization	17,538,088	225,101
Student aid	4,503,150	2,487,225
Auxiliary activities	28,369,344	
Operation of Higher Education Centers	1,162,507	
Museum and cultural services	799,481	
Historic attraction management	411,702	
University development and support		2,084,584
Foundation operations		1,968,719
Real estate operations		1,098,637
Fundraising		1,684,010
Total operating expenses	\$120,838,808	\$9,548,276
Operating gain/(loss)	(54,199,632)	(5,416,516)
Non-operating revenues/(expenses):		
State appropriations (Note 13)	50,315,146	
Federal student financial aid - Pell grant revenue	3,693,249	
Higher Education Emergency Relief and Coronavirus Relief Funds	4,785,846	
Federal Build America Bond interest subsidy revenue	535,704	
Investment income/(loss)	344,006	5,924,723
Gain/(Loss) on disposal/impairment of capital assets	28,215	1,334,436
Other non-operating revenue (expense)	1,187,804	589,686
Interest on lease and SBITA liabilities	(525,416)	
Interest on capital asset related debt	(7,096,203)	(1,646,710)
Net non-operating revenues/(expenses)	\$53,268,351	\$6,202,135
Income/(loss) before other revenues, expenses, gains, or losses	(931,281)	785,619
Capital appropriations (Note 5)	18,290,237	
Capital gifts	29,612	
Additions to term endowments		2,881,908
Additions to permanent endowments		37,928,349
Net other revenues, expenses, gains, or losses	\$18,319,849	\$40,810,257
Increase/(decrease) in net position	\$17,388,568	\$41,595,876
Net position – beginning of year	\$180,192,308	\$67,263,570
Net position – end of year	\$197,580,876	\$108,859,446

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

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

	UMW
Cash flows from operating activities:	
Student tuition and fees	38,763,215
Grants and contracts	1,593,831
Auxiliary enterprises	42,924,633
Other receipts	2,391,278
Payments to employees	(51,669,304)
Payments for fringe benefits	(15,308,665)
Payments for services and supplies	(25,231,302)
Payments for student aid	(3,679,482)
Payments for utilities	(4,762,707)
Payments for scholarships and fellowships	(21,877,671)
Payments for noncapitalized plant and equipment	(5,621,600)
Federal direct loan program receipts	11,201,815
Federal direct loan program receipts	(11,201,815)
Funds held for others - receipts	185,072
Funds held for others - disbursements	(134,465)
Collection of Perkins and other loans from students	77,544
Net cash used by operating activities	\$(42,349,623)
Cash flows from noncapital financing activities:	
State appropriations	50,315,146
Federal Pell grant revenue	3,693,249
Federal Support Higher Education Emergency Relief (HEERF)	4,785,846
Net cash provided by noncapital financing activities	\$58,794,241
Cash flows from capital and related financing activities:	
Capital appropriations	6,232,473
Purchase of capital assets	(9,986,573)
Principal paid on capital assets bond and notes	(1,804,978)
Principal paid on leases and SBITAs	(1,728,088)
Interest paid on leases and SBITAs	(525,416)
Interest paid on capital debt	(7,452,722)
Net cash used by capital financing activities	\$(15,265,304)
Cash flows from investing activities:	
Interest income	344,006
Net cash provided by investing activities	\$344,006
Net increase in cash	\$1,523,320
Cash – beginning of the year	\$38,528,684
Cash – end of the year	\$40,052,004

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2023

	UMW
Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	\$(54,199,632)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	17,538,088
Changes in assets, liabilities, deferred outflows, and deferred inflows:	
Accounts receivable (operating portion)	(193,637)
Inventories	(7,055)
Prepaid expenses	(30,280)
Due from Foundation	6,525
Deferred outflows of resources related to pensions and other post-employment benefits	1,254,271
Accounts payable	2,439,624
Unearned revenue	(2,574,500)
Accrued leave liability	132,944
Due to Foundation	40,247
Other post-employment benefits asset	237,247
Deposits payable, excluding custodial funds	(33,479)
Funds held for others	50,606
Perkins liability	(86,100)
VRS pension and other post-employment benefits liability	4,120,962
Deferred inflows of resources related to pensions and other post-employment benefits	(11,045,454)
Total adjustments	\$11,850,009
Net cash used by operating activities	\$(42,349,623)
 Noncash investing, capital, and financing activities	
Special VRS/OPEB contributions	1,187,804
Capital assets retainage accrued	(63,515)
Accrued capitalized invoices	1,067,553
Bond premium, discount, gain, loss amortization	(856,211)
Gain on disposal of capital assets	28,215
Non-cash capital gifts	29,612

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

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity	18
2. Summary of Significant Accounting Policies	18
3. Cash, Cash Equivalents, and Investments	25
4. Receivables	26
5. Commonwealth Equipment and Capital Project Reimbursement Programs	27
6. Capital Assets	28
7. Accounts Payable and Accrued Expenses	29
8. Non-Current Liabilities	29
9. Long-Term Indebtedness	30
10. Long-Term Leases Payable	32
11. Long-Term Subscription Liability.....	33
12. Expenses by Function and Natural Classification.....	34
13. State Appropriations	35
14. Capital Improvement Commitments	35
15. Pension Plans	35
16. Post-Employment Benefit Plans Other Than Pensions (OPEB).....	46
17. Risk Management and Employee Health Care Plans	78
18. Contingencies	79
19. Related Party Transactions	79
20. Affiliated Foundation	80
21. UMW Foundation Footnote Disclosures.....	80
22. Subsequent Events.....	84

1. REPORTING ENTITY

The University of Mary Washington 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, which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. As such, the University is a component unit of the Commonwealth and is included in the Commonwealth's Annual Comprehensive Financial Report.

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement 39, *Determining Whether Certain Organizations Are Component Units*, the University is presenting the financial position of the University of Mary Washington Foundation (UMW Foundation) as a discrete component unit. The UMW Foundation is a tax-exempt not-for-profit 501(c)(3) organization incorporated under the laws of the Commonwealth of Virginia. The UMW Foundation is a legally separate entity from the University that was formed to seek, receive, hold, invest, administer, and distribute funds and property of all kinds, exclusively in furtherance of the educational activities and objectives of the University. The UMW Foundation issues its own independently audited financial report, in addition to being included in the statements of the University. The financial reports of the UMW Foundation include the net position and results of operations of the UMW Foundation and its ten subsidiaries, each incorporated as a limited liability corporation within the Commonwealth of Virginia. The 33-member Board of Directors of the UMW Foundation is comprised of University alumni and friends of the University, including six ex-officio Directors. While the University benefits from activities of the UMW Foundation, the University does not control the budget or operations of the UMW Foundation. Its financial information is presented discretely, in a separate column, in the University's financial statements. Additional information related to the UMW Foundation is presented in Note 21 of this report.

The UMW Foundation is a private non-profit organization that does not report under the guidelines of the GASB, instead following the guidance of the Financial Accounting Standards Board (FASB), 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 criteria and presentation features. Reclassifications have been made to convert the Foundation's financial information to GASB presentation format.

The University also benefits from the University of Mary Washington Alumni Association (UMW Alumni Association). The UMW Alumni Association is a nonprofit organization incorporated in the Commonwealth of Virginia to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. The Alumni Association issues its own independently reviewed financial report. The Board of Directors is comprised of at least 12 members but not more than 35 members. Directors are elected by the general membership of the Association while a student and faculty member serve as ex-officio and non-voting members of the Board. The faculty member is appointed by the President of the UMW Alumni Association. In accordance with GASB Statements 39 and 61 addressed above, the financial position and results of its operations are not discretely presented in conjunction with the University's financial statements, as it is not considered fiscally significant for component unit disclosure. Summary information related to the UMW Alumni Association is presented in Note 20 of this report.

Complete financial statements for the UMW Foundation and the UMW Alumni Association can be obtained from the respective entity, 1125 Jefferson Davis Hwy; Suite 200; Fredericksburg, Virginia 22401.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial guidelines of GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of

primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The University is required under the guidance to include Management's Discussion and Analysis, and basic financial statements, including notes, in its financial statement presentation.

GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)*, was implemented in fiscal year 2023 with an adoption date of July 1, 2022. GASB 96 establishes a definition for SBITA and provides uniform guidance for accounting and reporting transactions related to SBITA. The University is the licensee for various noncancelable SBITA. A licensee is required to recognize a subscription liability and intangible right-to-use subscription asset in the statement of net position.

At the commencement of the SBITA, the subscription liability is measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of license payments made. The right-to-use subscription asset is measured as the initial amount of the subscription liability, adjusted for any qualifying SBITA outlays such as implementation stage costs and license payments made at or before the software commencement date. Subsequently, the right-to-use subscription asset is amortized on a straight-line basis over its useful life or the non-cancellable license term, whichever is shorter.

During the current fiscal year, contractual subscription agreements for various information technology software licenses ranged from 1 – 10 years in length and discount rates range from 5.57% to 7.47%. In addition, there were five SBITA agreements with total implementation stage costs of \$ 97,013.

Initial right-to-use SBITA asset and liability recognized as of July 1, 2022 are as follows:

	Subscription Right-to-Use Asset	Subscription Liability
SBITA Balance as of 7.01.2022	\$ 6,183,056	\$ 6,183,056

Beginning balance adjustments noted in the table above are reflected in Note 6, Capital Assets, and Note 8, Non-current Liabilities. SBITAs are further discussed in Note 11.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented 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 an obligation has been incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash Equivalents

For purposes of the statements of net position and cash flows, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value. All investment income, including changes in the fair market value of investments (unrealized gains and losses), is reported as non-operating revenue or expense in the *Statement of Revenues, Expenses, and Changes in Net Position*.

GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. GASB Statement 72 also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

Accounts Receivable

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

Lease Receivable

Lease receivables are amounts owed to the University from lessees for the present service capacity of University assets. Lease receivables are recognized when the net present value of future minimum lease payments is \$50,000 or greater and the lease term, including renewal options, is more than 12 months. The University uses an estimated incremental borrowing rate to discount the lease payments. Under some lease agreements, the University may receive variable payments based on future performance by the lessee. These variable payments are not included in the measurement of the lease receivable and are recognized as inflows of resources in the period to which those payments relate.

A deferred inflow of resources is recorded at the commencement of a lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Prepaid Expenses

Prepaid expenses of the University include items such as insurance premiums, membership dues, and conference registrations for next fiscal year that were paid in advance, as well as publications, subscriptions, and maintenance contracts which include initial and renewal annual subscriptions that continue into the next fiscal year.

Inventories

Inventories are stated at the lower of cost (generally determined on the first in first out method) or market. Inventories consist primarily of merchandise for resale in the James Monroe Law Office Museum and Memorial Library, and the Gari Melchers Memorial, as well as expendable supplies held for consumption in the University's central storeroom.

Noncurrent Cash and Investments

Noncurrent cash and investments are externally restricted for the Federal Department of Education Perkins Loan program and for the construction of capital or other non-current assets.

Capital Assets

Capital assets include land, buildings and other improvements, infrastructure, intangible assets and equipment and are stated at appraised historical cost or actual cost where determinable. Intangible assets include computer software and intangible right-to-use leased assets and SBITA. Construction in progress is capitalized at actual cost as expenses are incurred. Library materials are valued using average prices for library acquisitions. All gifts of capital assets are recorded at acquisition value as of the date of donation.

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

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

Intangible right-to-use SBITA assets represent the right to use another party's information technology, and are initially measured as the subscription liability, adjusted for any qualifying SBITA outlays such as implementation stage costs and license payments made at or before the software commencement date.

Equipment is capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. Computer software developed or obtained for internal use is capitalized when the unit acquisition cost is \$5,000 or more and the estimated useful life is two years or more. Building renovation costs and infrastructure costs are capitalized when expenses total more than \$5,000, the asset value significantly increases, or the useful life is significantly extended. Useful life of assets related to leases is the shorter of the lease term or the useful life of the underlying asset. Donated assets with an acquisition value at the date of the donation of \$5,000 or more are capitalized. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities. Depreciation is computed using the straight-line method over the useful life of the asset. The useful life for buildings is 15-50 years. For improvements other than buildings useful life is 5-30 years, for infrastructure 5-50 years, for equipment 2-25 years, for intangible assets – computer software 3-5 years, and for library materials 10 years. Right-to-use leased assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Right-to-use subscription assets are amortized on a straight-line basis over the subscription term. Amortization is not allocated to the functional expense categories. Amortization expense is combined with depreciation expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Collections

The Gari Melchers Home and Studio maintains a collection of paintings, drawings, and etchings by Gari Melchers. A smaller collection of art works by other artists is also maintained. This collection was appraised in 1989 for approximately \$3,550,000. The James Monroe Museum and Memorial Library also maintains a collection of artifacts, books, and manuscripts. This collection was appraised in 2009 for approximately \$3,100,000.

In addition, the University gallery maintains collections of paintings and drawings by several artists including Alfred Levitt, Phyllis Ridderhof Martin, and Margaret Sutton. All collections have been donated to the University, but have not been appraised and total market value of the entire collection is unknown.

The items held in all three collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection. Since these conditions exist and historical cost data for the collections are not available, in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

Unearned Revenues

Unearned revenue represents revenue collected but not earned as of June 30. This amount includes amounts received for tuition and fees and certain auxiliary activities (resident housing deposits) related to the period after June 30.

Lease Liabilities

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

- Fixed payments
- Variable payments that are fixed in substance
- Amounts that are reasonably certain of being required to be paid under residual value guarantees

- The exercise price of a purchase option if it is reasonably certain that the University will exercise that option
- Payments for penalties for terminating the lease
- Any lease incentives
- Any other payments that are reasonably certain of being required based on an assessment of all relevant factors

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

For real estate leases, the present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, the University will obtain the lessor's internal borrowing rate and if unavailable, then the University will use the incremental borrowing default rate in the Commonwealth's Lease Accounting System at the beginning of the lease term. For equipment leases, the present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, the University will use the incremental borrowing default rate in the Commonwealth's Lease Accounting System at the beginning of the lease term.

Subscription Based Information Technology Arrangement Liabilities

SBITA liabilities are the University's obligation to pay owners for the right to use the present service capacity of information technology. A SBITA liability is recorded when the present value of future minimum payments is \$5,000 or more, and the contract term, including renewal options, is more than 12 months. The term includes renewal options that are reasonably certain of being exercised. Short-term SBITA with an initial term of 12 months or less, including all renewal options, are not recorded on the Statement of Net Position and are recognized as outflows of resources in the period to which the payments relate. SBITA liabilities are measured at the present value of payments expected to be made during the subscription term.

Noncurrent Liabilities

Noncurrent liabilities include the principal amounts of bonds payable, notes payable, financed purchases, lease and SBITA liabilities with maturities greater than one year and estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Debt payable is reported net of related discounts and premiums, which are expensed over the life of the debt. Debt issuance costs are recognized as an expense in the period incurred.

Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for granting a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. The University's liability and expense for the amount of leave earned by employees but not taken, as of June 30, 2023, is recorded in the *Statement of Net Position*, and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Position*.

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 purpose 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.

Other Post-employment Benefits

The Pre-Medicare Retiree Healthcare Plan is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. The Pre-Medicare Retiree Healthcare Plan 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 Resources Management (DHRM). After retirement, UMW no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for determining health insurance rates, retiree rates are effectively lower than many plans available outside of this benefit.

The Virginia Retirement System (VRS) State Employee Health Insurance Credit (HIC) Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The HIC 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 HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees.

The Virginia Retirement System (VRS) Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI 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 GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program, VSDP) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The VSDP Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The VSDP 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.

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The LODA 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 LODA 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 liability of the VRS OPEB Programs, the expenses, deferred outflows and inflows of resources, information about and additions to or deductions from their net fiduciary positions have been determined on the same basis as reported by VRS. In addition, benefit payments for these programs are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Federal Financial Assistance Programs

The University participates in federally-funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Perkins Loans programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future reporting period and increase net position similar to assets. Three items meet this criterion: pension and OPEB deferrals and refundings of debt. Deferred inflows of resources represent an acquisition of net position applicable to a future reporting period and decrease net position similar to liabilities. Four items meet this criterion: pension and OPEB deferrals, leases, and refundings of debt.

Net Position

The University's net position is made up of the following:

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net less outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- **Restricted nonexpendable net position** – Restricted nonexpendable net position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, to be expended or added to the principal.
- **Restricted expendable net position** – Restricted expendable net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Unrestricted net position** – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational departments and the 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.

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.

Income Taxes

The University, as a political subdivision of the Commonwealth of Virginia, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classifications of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) most federal, state, local, and nongovernmental grants and contracts and federal appropriations.
- **Non-operating revenues** – Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources 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, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* are included in this category.
- **Operating expenses** – Operating expenses include those expenses necessary for the operation of the University including those for wages and fringes, services and supplies, and operation of plant including utilities as well as any expense not classified as non-operating.
- **Non-operating expenses** – Non-operating expenses are those expenses incurred for interest on debt related to the purchase of capital assets, losses on the disposal of capital assets and intra-entity transfers.

Scholarship Discounts and Allowances

Student tuition and fees and certain auxiliary revenues are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Position*. Scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenue in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees or certain auxiliary charges, the University has recorded a scholarship discount and allowance.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Certain risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures* which is an amendment of GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. With respect to deposit risks, there are custodial credit risk and foreign currency risk. With respect to investments, there are credit risks (both custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. These risks are defined as:

- **Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk. The University does not have a policy limiting the ratings type of investment choices. The University's State Non-Arbitrage Program (SNAP) investments are subject to credit risk.
- **Custodial credit risk** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of the institution. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University does not have any funds subject to custodial credit risk.
- **Concentration of credit risk** – The risk of loss attributed to the magnitude of an investment in a single issuer. GASB Statement 40 requires disclosure of any issuer with more than five percent of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from disclosure. The University does not have a policy limiting the amount that can be invested in any one issuer. The University does not have any funds subject to concentration credit risk.
- **Interest rate risk** – Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for investments subject to interest rate risk. The University does not have a policy limiting investment maturities as a means of managing interest rate risk. The University does not have any funds subject to interest rate risk.
- **Foreign currency risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University does not have a policy limiting foreign investments. The University does not have any funds subject to foreign currency risk.

Cash and Cash Equivalents

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*. Cash and cash equivalents represent cash with the treasurer of the Commonwealth, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is 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, *Certain External Investment Pools and Pool Participants*. SNAP investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value.

Pursuant to Section 2.2-1800 et seq. Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Local cash deposits held by the University are maintained in accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the *Virginia Security for Public Deposits Act*, Section 2.2-4400, et. seq. Code of Virginia.

Investments

Authorized investments are set forth in the *Investment of Public Funds Act*, Sections 2.2-4500 through 2.2-4519 et seq., Code of Virginia. GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. None of the University's fiscal year 2023 investments are subject to fair value measurement.

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. Collateral held for securities lending is held by the Treasurer of Virginia and represents the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's *Annual Comprehensive Financial Report*. 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. A categorization of the University's cash, cash equivalents, and investments are presented in the following table.

Cash and Cash Equivalents	Value As of June 30, 2023	Credit Rating
Cash with the Treasurer	\$10,459,727	
Collateral held for securities lending	682,615	
Deposits with financial institutions	5,124,202	
Money market deposits with financial institutions	21,561,921	
State Non-Arbitrage Program (SNAP)	2,906,154	S&P AAAm
Total cash and cash equivalents	<u>\$40,734,619</u>	

4. RECEIVABLES

Accounts, notes and leases receivable consisted of the following at June 30, 2023:

Accounts and leases receivable	
Student tuition and fees	\$1,912,096
Auxiliary enterprises	858,292
VCBA Series 2010A/B Interest Subsidy	442,830
Leases receivables	1,502,035
Other activities	85,232
Total accounts and leases receivable before allowance for doubtful accounts	4,800,485
Less allowance for doubtful accounts	(1,815,734)
Total accounts and leases receivable after allowance for doubtful accounts	\$2,984,751
Notes receivable	
Perkins loans	\$312,382
Less allowance for doubtful accounts	(45,428)
Total notes receivable after allowance for doubtful accounts	\$266,954
Total receivables after allowance for doubtful accounts	\$3,251,705

Lease receivables represents the University's contractual receipts for the right to use the service capacity of its assets. The University's contract with Barnes and Noble College (BNC) contains an embedded lease where BNC makes fixed payments to the University for space to operate in Lee Hall. The current contract term ends July 2024, but the contract contains 5 one-year renewal

options. In addition to other commitments of support, the University receives a \$100,000 cost recovery each year and variable commissions based on sales. The variable amount received in fiscal year 2023 was \$58,335. Due to the embedded lease and in accordance with GASB 87, the University recorded a lease receivable and corresponding deferred inflow of resources of \$537,259. The receivable was calculated using a rate of 3.25%.

The University leases space at its Stafford Campus to Stafford County Public Schools. The term ended June 30, 2023, however the lease has 4 one-year renewals and renews automatically. The University receives rent totaling \$270,500 each year and recorded a receivable and corresponding deferred inflow of \$964,776 in fiscal year 2023. The receivable was calculated using a rate of 4.75%.

The University's Sodexo contract has an embedded lease where Sodexo guarantees the University commission payments of \$350,000 per year. The contract also contains a variable commission payment where in the event 15% of commissionable sales is greater than \$350,000, Sodexo will pay the University the actual earned commission. In fiscal year 2023, the actual earned commission was \$384,309, resulting in a variable payment amount of \$34,309. As of June 30, the Sodexo current contract term end date was August 31, 2023. The University issued a request for proposal for dining contract vendors. Due to the short-term nature of the current contract, the University did not record a lease receivable in fiscal year 2023.

The University's laundry services contract also contains an embedded lease with variable payments based on number of residential students and usage. The laundry services contract is a long term variable contract, and the GASB doesn't require recording of a receivable. The University received \$18,607 from laundry services commissions in fiscal year 2023.

Future lease payments receivable			
Fiscal Year	Principal	Interest	Total
2024	\$355,086	\$63,288	\$418,374
2025	340,328	37,276	377,604
2026	326,196	26,215	352,411
2027	312,664	15,614	328,278
2028	85,222	5,452	90,674
2029 – 2033	82,539	2,683	85,222
Total	\$1,502,035	\$150,528	\$1,652,563

5. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2023, funding has been provided to the University from two programs: 21st Century program and the Equipment Trust Fund, both managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities. In addition, the University received funds from the State General Fund for capital projects.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2023, in "Capital appropriations" line item for equipment and facilities obtained with funding under these three programs.

Capital appropriation revenue	
General fund capital appropriations	\$14,585,757
VCBA 21 st Century program	3,008,354
VCBA Equipment Trust Fund program	696,126
Total capital appropriation revenue	\$18,290,237

The line item, "Due from Commonwealth, restricted," on the *Statement of Net Position* for the year ended June 30, 2023, represents pending reimbursements and unspent general fund capital appropriations:

Due from the Commonwealth, restricted	
General fund capital appropriations	\$18,008,574
VCBA 21 st Century program	940,360
Total Due from Commonwealth, Restricted	\$18,948,934

6. CAPITAL ASSETS

A summary of capital asset activity by category for the year ended June 30, 2023 is below. Beginning balances have been restated due to the implementation of GASB 96.

A summary of changes in capital asset categories for the year ended June 30, 2023, is presented as follows:	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	\$9,518,124			\$9,518,124
Construction in progress	1,209,060	7,930,853	(3,511,999)	5,627,914
Total non-depreciable capital assets	\$10,727,184	\$7,930,853	\$(3,511,999)	\$15,146,038
Depreciable and amortizable capital assets:				
Buildings	540,015,042	2,737,336		542,752,378
Equipment	25,761,251	1,680,239	(1,308,954)	26,132,536
Equipment – financed purchase	1,133,843			1,133,843
Intangible assets	4,582,821			4,582,821
Infrastructure	45,973,739	105,369		46,079,108
Improvements other than buildings	13,737,894	387,594		14,125,488
Library books	11,698,783	52,830	(926)	11,750,687
Intangible right to use leased assets and SBITAs				
Land	303,534			303,534
Buildings	5,167,469			5,167,469
Equipment	2,012,730			2,012,730
SBITAs	6,183,056	1,670,565		7,853,621
Total depreciable and amortizable capital assets	\$656,570,162	\$6,633,933	\$(1,309,880)	\$661,894,215
Less accumulated depreciation and amortization:				
Buildings	131,516,145	11,763,656		143,279,801
Equipment	20,718,973	1,307,003	(1,304,605)	20,721,371
Equipment – financed purchase	141,730	141,730		283,460
Intangible assets	4,020,609	119,203		4,139,812
Infrastructure	33,384,256	672,684		34,056,940
Improvements other than buildings	6,447,220	616,339		7,063,559
Library books	11,153,325	122,466	(925)	11,274,866
Intangible right to use leased assets and SBITAs				
Land	53,565	53,565		107,130
Buildings	779,932	779,932		1,559,864
Equipment	205,146	205,146		410,292
SBITAs		1,756,364		1,756,364
Total accumulated depreciation and amortization	\$208,420,901	\$17,538,088	\$(1,305,530)	\$224,653,459
Depreciable and amortizable capital assets, net	\$448,149,261	\$(10,904,155)	\$(4,350)	\$437,240,756
Total capital assets, net of depreciation and amortization	\$458,876,445	\$(2,973,302)	\$(3,516,349)	\$452,386,794

Equipment - financed purchase reflects the Apogee Telecom, Inc. contract whereby the University owns the network equipment at the end of the contract. Right to use leases represent office and storage space leases, equipment leases, and the parking lot lease.

SBITAs represent a number of information technology contracts for use of a third party's software. Right to use SBITAs represent the University's enterprise resource planning tool, human resources recruiting systems, student financial aid and records management systems, alumni relationship managements tools, campus safety and mass communications systems, and library system subscriptions.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2023:

Accounts payable and accrued expenses

Accounts payable	6,188,892
Accrued salaries and wages payable	7,175,340
Accrued interest on capital debt and SBITAs	2,660,432
Retainage payable	449,341
Total accounts payable and accrued expenses	\$16,474,005

8. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt and financed purchases (further described in Note 9), VRS pension liability (further described in Note 15), other post-employment benefits liability (further described in Note 16), Federal Perkins Loan program contribution refundable and accrued compensated absences. A summary of changes in the long-term liabilities for the year ending June 30, 2023 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	\$ 1,054,019		\$ (344,734)	\$ 709,285	\$ 358,103
Notes payable	250,602,139		(2,323,173)	248,278,966	8,948,460
Leases and SBITA:					
Financed purchase	1,027,571		(115,326)	912,245	124,896
Intangible Right to Use SBITA**	6,183,056	1,670,561	(2,336,773)	5,516,844	1,601,404
Intangible Right to Use Lease	6,555,160		(946,551)	5,608,609	990,067
Pension and OPEB Liabilities:					
VRS Pensions Liability *	18,946,831	4,022,652		22,969,483	
Other Post-Employment Benefit Liability *	10,901,733		(1,089,494)	9,812,239	275,874
Other non-current Liabilities:					
Federal loan program contributions	392,299		(86,100)	306,199	
Accrued compensated absences	1,552,197	1,332,494	(1,199,550)	1,685,141	798,179
Total non-current liabilities **	\$297,215,005	\$7,025,707	\$(8,441,701)	\$295,799,011	\$13,096,983

* Reflects the net change

**GASB 96 requires a restatement of beginning balances

9. LONG-TERM INDEBTEDNESS

Bonds Payable

The University has issued bonds pursuant to section 9(c) 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. They are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. A summary of all bonds payable as of June 30, 2023 is presented in the table on the following page.

	Interest Rate Ranges	Fiscal Year Maturity	Outstanding Balance
Dining Halls			
Series 2012A, issued \$654,765 – partial refunding series 2005A	5.00%	2024	\$ 334,787
Series 2013B, issued \$565,091 – partial refunding series 2005A	4.00%	2025	344,328
Unamortized premium/(discount)			30,170
Total bonds payable			\$709,285

Notes Payable

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University. The notes are secured by the pledged general revenues of the University. A summary of all notes payable as of June 30, 2023 is presented below:

	Interest Rate Ranges	Fiscal Year Maturity	Outstanding Balance
Indoor Tennis Facility			
Series 2021A, issued \$315,000 – partial refunding series 2010B/2002A	5.00%	2025	315,000
Parking Deck			
Series 2021B, issued \$1,990,000 – partial refunding series 2012A/2004A	0.48% - 0.94%	2027	1,990,000
Athletic Field Replacement (Goolrick)			
Series 2014B, issued \$435,000 – partial refunding series 2007	4.00 - 5.00%	2026	180,000
Series 2016A, issued \$840,000 – partial refunding series 2007	3.00 - 5.00%	2038	840,000
Series 2021B, issued \$115,000 – partial refunding series 2014B/2007A	2.40 - 2.50%	2040	115,000
Residence Halls			
Series 2010A/B, issued \$36,765,000	4.55 - 5.60%	2041	26,950,000
Series 2014B, issued \$1,100,000 – partial refunding series 2007	4.00 - 5.00%	2026	460,000
Series 2016A, issued \$2,210,000 – partial refunding series 2007	3.00 - 5.00%	2038	2,210,000
Series 2017A, issued \$23,795,000	2.13 - 5.00%	2038	20,250,000
Series 2018A, issued \$9,405,000	4.00 - 5.00%	2039	8,440,000
Series 2019A, issued \$13,870,000	2.25 - 5.00%	2040	12,900,000
Series 2021A, issued \$2,205,000 – partial refunding series 2010A	2.00%	2043	2,205,000
Series 2021B, issued \$295,000 – partial refunding series 2014B/2007A	2.40 - 2.50%	2040	295,000
Series 2021B, issued \$2,010,000 – partial refunding series 2017A	2.40 - 2.50%	2040	2,010,000
Series 2021B, issued \$715,000 – partial refunding series 2018A	2.50 - 5.00%	2041	715,000
Series 2021B, issued \$1,050,000 – partial refunding series 2019A	2.60 - 2.65%	2042	1,050,000
Convocation Center (Anderson)			
Series 2016A, issued \$13,215,000 – partial refunding series 2009	3.00 - 5.00%	2040	11,685,000
Series 2021B, issued \$1,130,000 – partial refunding series 2016A/2009B	2.60 - 2.65%	2042	1,130,000
Athletic Complex Renovations (Battleground)			
Series 2010A/B, issued \$2,530,000	4.55 - 5.60%	2041	1,820,000
Series 2015A, issued \$2,370,000	3.00 - 5.00%	2036	1,765,000
Series 2021A, issued \$150,000 – partial refunding series 2010A/B	2.00%	2043	150,000

Series 2021B, issued \$215,000 – partial refunding series 2015A	2.21 - 2.30%	2038	215,000
University Center			
Series 2013A, issued \$18,835,000	3.00 - 5.00%	2024	490,000
Series 2014A, issued \$8,870,000	5.00%	2024	410,000
Series 2015A, issued \$1,125,000	3.00 - 5.00%	2036	840,000
Series 2021B, issued \$25,360,000 – partial refunding series 2012B	0.48 - 2.65%	2045	25,360,000
Series 2021B, issued \$17,920,000 – partial refunding series 2013A	0.48 - 2.65%	2046	17,920,000
Series 2021B, issued \$9,155,000 – partial refunding series 2014A	0.48 - 2.65%	2047	9,155,000
Series 2021B, issued \$100,000 – partial refunding series 2015A	2.21 – 2.30%	2038	100,000
Eagle Landing Housing, Bridge and Garage			
Series 2021C, issued \$77,445,000	3.00 - 5.00%	2052	74,025,000
Eagle Village Apartments			
Series 2021C, issued \$5,295,000	3.00 - 5.00%	2040	4,865,000
Unamortized premium/(discount)			17,423,966
Total notes payable			\$ 248,278,966

Defeasance of Debt

In prior years, Commonwealth of Virginia, on behalf of the University, issued bonds and the proceeds of the refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered to be defeased. The trust's assets and the liabilities associated with these defeased bonds are not included in the University's financial statements. At June 30, 2023, \$22,400,000 is considered to be defeased and outstanding.

Annual Debt Service Requirements

A summary of the University's future principal commitments and future interest commitments is presented below:

	Section 9(c) Bonds	Notes Payable	Total Long-Term Debt
Future principal commitments:			
2024	334,787	8,095,000	8,429,787
2025	344,328	8,385,000	8,729,328
2026		8,510,000	8,510,000
2027		8,835,000	8,835,000
2028		9,150,000	9,150,000
2029 - 2033		48,095,000	48,095,000
2034 - 2038		56,025,000	56,025,000
2039 - 2043		46,225,000	46,225,000
2044 - 2048		22,765,000	22,765,000
2049 - 2052		14,770,000	14,770,000
Unamortized premium/(discount)	30,170	17,423,966	17,454,136
Total future principal requirements	\$ 709,285	\$ 248,278,966	\$ 248,988,251
Future Interest commitments:			
2024	29,312	7,740,651	7,769,963
2025	13,773	7,427,788	7,441,561
2026		7,124,220	7,124,220
2027		6,810,016	6,810,016
2028		6,466,627	6,466,627
2029 - 2033		26,918,129	26,918,129
2034 - 2038		17,436,041	17,436,041
2039 - 2043		8,605,519	8,605,519
2044 - 2048		3,661,495	3,661,495
2049 - 2052		902,700	902,700
Total future interest requirements	\$43,085	\$93,093,186	\$93,136,271

Financed Purchase

The University has a contract with Apogee Telecom, Inc., to provide cable television and residential network services in the University's dorms. The current contract term expires June 30, 2024, and the contract contains five one-year optional renewals. At the end of the contract term and any elected renewal options, the fully amortized distribution switches, wireless access points and controllers, and video distribution equipment transfers to the University. A summary as of June 30, 2023 is presented below:

	Rate	Contract Term End Date, including renewal options	Outstanding Balance
Apogee Telecom Inc.	3.25%	2029	\$912,245
Total financed purchase payable			\$912,245

Future minimum financed purchase			
Fiscal Year	Principal	Interest	Total
2024	\$124,896	\$27,822	\$152,718
2025	134,972	23,614	158,586
2026	145,611	19,071	164,682
2027	156,851	14,173	171,024
2028	168,704	8,901	177,605
2029	181,211	3,234	184,445
Total	\$912,245	\$96,815	\$1,009,060

10. LONG-TERM LEASES PAYABLE

Long-term leases represent the University's obligation to pay owners for the right to use the present service capacity of their assets. These obligations are for leases of office space, storage space, a parking lot, fitness equipment, copiers and post office equipment. Lease agreements for office and storage space range from 2 to 17 years, including renewal options the University is likely to exercise. The effective borrowing rate ranges from 1.50% to 5.50%.

The land lease for the parking lot has a 7 year term and an effective borrowing rate of 3.99%. Leases for equipment range from 2 to 11 years, with renewal options. The effective borrowing rate is 3.25%.

In addition to flat rate costs for equipment, the Swiss Post Services agreement for copiers and postal equipment contains a variable payment component based on usage. Variable payments totaling \$51,845 were made in fiscal year 2023.

The University's leases do not contain provisions for residual value guarantees and had no impairment losses on its lease portfolio in fiscal year 2023. The University committed to two new leases during the fiscal year for office space for the University Police in the Eagle Village multi-use building; however, the lease term begins November 1, 2023 and amounts are not included in the tables below.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases payable					
Land	\$253,979		\$(50,522)	\$203,457	52,575
Buildings	4,481,662		(715,186)	3,766,476	750,710
Equipment	1,819,519		(180,843)	1,638,676	186,782
Total long term leases payable	\$6,555,160		\$(946,551)	\$5,608,609	\$990,067

Future principal commitments				
Fiscal Year	Land	Building	Equipment	Total
2024	\$52,575	\$750,710	\$186,782	\$990,067
2025	54,711	742,570	192,916	990,197
2026	56,935	640,924	199,251	897,110
2027	39,236	306,013	205,794	551,043
2028		97,332	212,553	309,885
2029 – 2033		544,884	641,380	1,186,264
2034 – 2038		684,043		684,043
Total	\$203,457	\$3,766,476	\$1,638,676	\$5,608,609

Future interest commitments				
Fiscal Year	Land	Building	Equipment	Total
2024	\$7,163	\$107,116	\$51,335	\$165,614
2025	5,027	90,329	45,202	140,558
2026	2,804	74,630	38,866	116,300
2027	589	62,733	32,323	95,645
2028		57,518	25,565	83,083
2029 – 2033		216,810	43,460	260,270
2034 – 2038		79,557		79,557
Total	\$15,583	\$688,693	\$236,751	\$941,027

11. LONG-TERM SUBSCRIPTION LIABILITY

Long-term SBITA liability represents the University's obligation to pay license fees to Information Technology (IT) vendors for the right to use the present service capacity of their underlying IT software. These obligations are for IT arrangements related to the University's enterprise resource planning tool, human resources recruiting systems, student financial aid and records management systems, alumni relationship managements tools, campus safety and mass communications systems, and library system subscriptions. The IT agreements range from 1 to 10 years, including renewal options the University is likely to exercise. The effective borrowing rate ranges from 5.57% to 7.47%.

Fiscal Year	Future Principal Commitments	Future Interest Commitments	Total
2024	\$1,601,404	\$ 320,631	\$1,922,035
2025	1,611,371	227,436	1,838,807
2026	1,385,203	133,438	1,518,641
2027	242,151	52,923	295,074
2028	150,506	38,312	188,818
2029 – 2033	526,209	62,821	589,030
Total	\$5,516,844	\$ 835,561	\$6,352,405

12. EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION

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

	Salaries and Wages	Fringe Benefits	Services and Supplies	Utilities	Plant and Equipment	Depreciation and Amortization	Student Aid	Total
Instruction	\$24,118,784	\$5,002,124	\$2,041,561	\$1,906	\$619,835			\$31,784,210
Research	173,862	7,489	220,690		1,094			403,135
Public service	359,073	57,199	266,426		37			682,735
Academic support	4,539,479	650,251	930,949		1,255,584			7,376,263
Student services	5,085,583	801,126	1,220,104		663,963			7,770,776
Institutional support	6,187,720	1,564,212	2,886,107	60,346	1,991,093			12,689,478
Plant – operation & maintenance	2,425,652	589,265	2,137,462	2,097,220	98,340			7,347,939
Depreciation & amortization						17,538,088		17,538,088
Student aid	521,563	44,390	257,715				3,679,482	4,503,150
Operation of higher ed centers	251,112	47,605	606,247	87,921	169,622			1,162,507
Museum & cultural services	566,946	56,614	123,651	51,315	955			799,481
Historic attraction management	337,413	24,410	37,219	7,716	4,944			411,702
Auxiliary activities	8,165,747	1,256,525	15,718,538	2,458,026	770,508			28,369,344
Total expenses	\$52,732,934	\$10,101,210	\$26,446,669	\$4,764,450	\$5,575,975	\$17,538,088	\$3,679,482	\$120,838,808

13. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for re-appropriations 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 disbursements. The following is a summary of state appropriations received by the University including all supplemental appropriations and reversions:

State appropriations	
Original legislative appropriation per Chapter 2	
Educational and general programs	\$39,739,855
Student financial assistance	4,438,862
Museum and cultural services	781,117
Historic attraction management	473,948
Operation of Higher Education Centers	1,250,000
Supplemental adjustments:	
Tech talent investment program	2,921,937
Compensation and benefits	1,968,806
Student financial assistance reappropriation	490,132
Interest and credit card rebate	55,203
Virtual Library of Virginia (VIVA) allocation	20,062
Virginia military survivors and dependent program	124,180
Two-year college transfer grant	8,000
Special education	58,326
Equipment Trust Fund debt transfer	(97,063)
Out-of-state students	(234,834)
Reversions	(1,683,385)
State appropriation revenue, adjusted	\$50,315,146

14. CAPITAL IMPROVEMENT COMMITMENTS

At June 30, 2023, outstanding commitments for capital improvement projects total \$10,158,430.

15. PENSION PLANS

Virginia Retirement System

All full-time, salaried permanent employees of state agencies are automatically covered by the Virginia Retirement System (VRS) State Employee Retirement Plan or the Virginia Law Officers' System (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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are shown 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 Same as Plan 1.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Same as Plan 1</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Full-time permanent, salaried state employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

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

		<p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distributions not required, except as governed by law.</p>
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1.</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p>	<p>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.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

<p>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p>VaLORS: The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.</p>	<p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>VaLORS: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>VaLORS: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i></p>

<p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>	<p>Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>	<p>Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2023 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rates which were based on actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$3,198,158 and \$2,934,915 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the University to the VaLORS Retirement Plan were \$232,050 and \$207,883 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$219.1 million to the VRS State plan and \$19.9 million to VaLORS. These special payments were authorized by Chapter 1 of the 2022 Appropriation Act, and are classified as special employer contributions.

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

At June 30, 2023, the University reported a liability of \$21,191,245 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$1,778,237 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plans for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion of the VRS State Employee Retirement Plan was 0.46693% as compared to 0.48456% at June 30, 2021. At June 30, 2022, the University's proportion of the VaLORS Retirement Plan was 0.28091% as compared to 0.26275% at June 30, 2021.

For the year ended June 30, 2023, the University recognized pension expense of \$(289) for the VRS State Employee Retirement Plan and \$269,177 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2021 and June 30, 2022, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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

	VRS Deferred Outflows of Resources	VRS Deferred Inflows of Resources	VaLORS Deferred Outflows of Resources	VaLORS Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 1,401,640	\$ 20,303	\$ 9,308
Changes in assumptions	850,216	0	24,262	0
Net difference between projected and actual earnings on pension plan investments	0	3,088,638	0	145,837
Changes in proportion and differences between employer contributions and proportionate Employer contributions subsequent to the measurement date	0	1,805,017	58,515	1,621
	3,198,158	0	232,050	0
Total	\$4,048,374	\$6,295,295	\$335,130	\$156,766

\$3,430,208 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

For the fiscal year ending	VRS Amount	VaLORS Amount
June 30, 2024	\$ (2,428,003)	\$ 35,061
June 30, 2025	(2,136,447)	(59,921)
June 30, 2026	(2,341,564)	(100,140)
June 30, 2027	1,460,935	71,314
June 30, 2028	0	0
Total	\$ (5,445,079)	\$ (53,686)

Actuarial Assumptions

Total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rates:	
Pre-retirement:	
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.	
Post-retirement:	
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.	
Post- disability:	
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.	
Beneficiaries and Survivors:	
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.	
Mortality Improvement:	
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.	

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rates:	
Pre-retirement:	
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.	
Post-retirement:	
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.	
Post-disablement:	
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.	
Beneficiaries and Survivors:	
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.	
Mortality Improvement:	
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.	

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70

Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net Pension Liability

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

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

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

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022, 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 and the VaLORS Retirement Plan net pension liabilities using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension liabilities 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	\$36,216,397	\$21,191,245	\$8,737,989
University's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	2,705,780	1,778,237	1,022,045

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to VRS and VaLORS. As of June 30, 2023, the University's VRS and VaLORS payables were \$164,476 and \$13,144 respectively. These amounts are included in Accounts Payable on the Statement of Net Position.

Optional Retirement Plans

Full-time faculty and certain administrative staff can participate in optional retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association (TIAA) and Defined Contribution Plans. For employees hired prior to July 1, 2010, retirement benefits received are based upon the employer's 10.4% contribution, plus net investment gains. For employees hired on or after July 1, 2010, retirement benefits received are based upon the employer's contribution 8.5%, plus the employee's contribution 5%, plus net investment gains. Vesting is full and immediate for both employer

and employee contributions. Total employer pension costs under this plan were \$1,970,214 for fiscal year 2023. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$20,628,871 for the fiscal year.

Deferred Compensation Plan

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth’s deferred compensation plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth’s budget. The deferred compensation plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University expense for contributions under the deferred compensation plan, which is an amount assessed by the Commonwealth, was \$250,955 for fiscal year 2023.

16. POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB)

The University participates in post-employment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Retiree Health Insurance Credit Program (HIC), Group Life Insurance Program (GLI), Virginia Sickness and Disability Program (VSDP), and Line of Duty Act Program (LODA). The University also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management.

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
<p>Eligible Employees</p> <p>The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, State Police Officer Retirement System (SPORS), VaLORS and Judicial Retirement System (JRS) who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
<p>Benefit Amounts</p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• At Retirement – For state employees who retire, 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.

<p>For state police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For state police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • 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, 2023 was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were \$496,306 and \$482,486 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, the University reported a liability of \$4,652,901 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2022, the University's proportion of the VRS State Employee Health Insurance Credit Program was 0.55544% as compared to 0.56963% at June 30, 2021. At June 30, 2022, the University's proportion of the VRS State Employee Health Insurance Credit Program for VALORS employees was 0.01256% as compared to 0.01271% at June 30, 2021.

For the year ended June 30, 2023, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$229,293. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

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

	HIC Deferred Outflows of Resources	HIC Deferred Inflows of Resources
Differences between expected and actual experience	\$797	281,210
Changes in assumptions	155,658	2,349
Net difference between projected and actual earnings on HIC plan investments	0	2,524
Changes in proportion and differences between Employer contributions and proportionate share of Employer contributions subsequent to the measurement date	7,647	533,587
	496,306	0
Total	\$660,408	\$819,670

\$496,306 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

For the fiscal year ending	Amount
June 30, 2024	\$ (170,056)
June 30, 2025	(170,659)
June 30, 2026	(169,622)
June 30, 2027	(101,161)
June 30, 2028	(42,862)
Thereafter	(1,208)

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

Mortality rates General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates VALORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2020 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used for general state employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for SPORS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for VALORS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service

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

The actuarial assumptions used for JRS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net State Employee HIC OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	5.71%	1.94%
Fixed income	15.0%	2.04%	0.31%
Credit Strategies	14.0%	4.78%	0.67%
Real Assets	14.0%	4.47%	0.63%
Private Equity	14.0%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.0%	3.73%	0.22%
PIP – Private Investment Partnership	3.0%	6.55%	0.20%
Total	100.00%		5.33%
Inflation			2.50%
*Expected arithmetic nominal return			7.83%

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50% asset allocation.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to 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 Health Insurance Credit Program Net OPEB Liability	\$5,224,807	\$4,652,901	\$4,161,901

State Employee HIC OPEB Fiduciary Net Position

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

Payables to the State Employee Health Insurance Credit Program OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the HIC Program OPEB Plan. As of June 30, 2023, the University's HIC Program payables were \$18,547. These amounts are included in Accounts Payable on the Statement of Net Position.

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	<p>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:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>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.</p>
Benefit Amounts	<p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Seatbelt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
Reduction in Benefit Amounts	<p>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.</p>
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)	<p>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 is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 effective June 30, 2023.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were \$245,341 and \$230,899 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, the University reported a liability of \$2,382,305 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion for general state employees was 0.19348% as compared to 0.19910% at June 30, 2021. At June 30, 2022, the University's proportion for VALORS employees was 0.00437% as compared to 0.00444% at June 30, 2021.

For the year ended June 30, 2023, the University recognized GLI OPEB expense of \$(13,236). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	GLI Deferred Outflows of	GLI Deferred Inflows of Resources
Differences between expected and actual experience	\$188,649	\$ 95,572
Changes in assumptions	88,857	232,046
Net difference between projected and actual earnings on GLI OPEB plan investments	0	148,859
Changes in proportion and differences between Employer contributions and proportionate share of contributions	13,215	333,530
Employer contributions subsequent to the measurement date	245,341	0
Total	\$536,062	\$810,007

\$245,341 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June

30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

For the fiscal year ending	
June 30, 2024	\$(125,011)
June 30, 2025	(124,338)
June 30, 2026	(196,804)
June 30, 2027	(42,155)
June 30, 2028	(30,978)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	
-General state employees	3.50% - 5.35%
-SPORS employees	3.50% - 4.75%
-VALORS employees	3.50% - 4.75%
-JRS employees	4.00%
-Teachers	3.50% - 5.95%
-Locality – General employees	3.50% – 5.35%
-Locality – Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expense, including inflation
Mortality rates General State Employees	
Pre-Retirement:	
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.	
Post-Retirement:	
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.	
Post-Disablement:	
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.	
Beneficiaries and Survivors:	
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.	
Mortality Improvement Scale:	
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.	

Mortality rates – SPORS Employees

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

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

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

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

Mortality Improvement Scale:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used for general state employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for SPORS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for VALORS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service

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

The actuarial assumptions used for teachers in the June 30, 2021 valuation were based on the results of an actuarial experience study for period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for JRS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for general employees of the largest ten locality employers in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for general employees of the non-largest ten locality employers in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for hazardous duty employees of the largest ten locality employers in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

The actuarial assumptions used for hazardous duty employees of the non-largest ten locality employers in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net GLI OPEB Liability

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

	GLI OPEB Plan
Total GLI OPEB Liability	\$3,672,085
Plan Fiduciary Net Position	2,467,989
GLI Net OPEB Liability	\$1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

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

Sensitivity of the University'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 employer's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$3,466,532	\$2,382,305	\$1,506,101

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS

website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the GLI Program OPEB Plan. As of June 30, 2023, the University’s GLI Program payables were \$22,190. These amounts are included in Accounts Payable on the Statement of Net Position.

Virginia Sickness and Disability 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 shown below:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS	
Eligible Employees	<p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution’s disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
Benefit Amounts	<p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • Leave – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • Short-Term Disability – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee’s pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer. • Long-Term Disability – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee’s pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan. • Income Replacement Adjustment – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • VSDP Long-Term Care Plan – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

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

Cost-of-Living Adjustment (COLA)

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

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2023 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were \$116,116 and \$160,503 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the University reported a liability (asset) of \$(1,092,271) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2022, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net VSDP OPEB Liability (Asset) was based on the University's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion for general state employees was 0.34939% as compared to 0.36449% at June 30, 2021. At June 30, 2022, the University's proportion for VALORS employees was 0.02068% as compared to 0.02119% at June 30, 2021.

For the year ended June 30, 2023, the University recognized VSDP OPEB expense of \$35,586. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

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

	VSDP Deferred Outflows of Resources	VSDP Deferred Inflows of Resources
Differences between expected and actual experience	\$109,953	\$162,597
Changes in assumptions	6,302	21,458
Net difference between projected and actual earnings on VSDP OPEB plan investments	0	60,311
Changes in proportion and differences between Employer contributions and proportionate share of Employer contributions subsequent to the measurement date	111,837	1,460
	116,116	0
Total	\$344,208	\$245,826

\$116,116 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

For the fiscal year ending	
June 30, 2024	\$ (22,578)
June 30, 2025	(22,328)
June 30, 2026	(36,619)
June 30, 2027	26,023
June 30, 2028	11,378
Thereafter	26,390

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5%
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 OPEB plan investment expense, including inflation

Mortality rates General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used for general state employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for SPORS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used for VALORS employees in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net VSDP OPEB Liability (Asset)

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

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

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	5.71%	1.94%
Fixed Income	15.0%	2.04%	0.31%
Credit Strategies	14.0%	4.78%	0.67%
Real Assets	14.0%	4.47%	0.63%
Private Equity	14.0%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.0%	3.73%	0.22%
PIP – Private Investment Partnership	3.0%	6.55%	0.20%
Total	100.00%		5.33%
Inflation			2.50%
*Expected arithmetic nominal return			7.83%

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

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

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

The following presents 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 Virginia Sickness and Disability Program Net OPEB Liability (Asset)	\$ (1,005,337)	\$ (1,092,271)	\$ (1,168,654)

VSDP OPEB Fiduciary Net Position

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

Payables to the Disability Insurance Program (VSDP) OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the VSDP Program OPEB Plan. As of June 30, 2023, the University's VSDP Program payables were \$6,499. These amounts are included in Accounts Payable on the Statement of Net Position.

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 fiscal year 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	
Eligible Employees	The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities as well as 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	<p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.• Health Insurance – The Line of Duty Act program provides health insurance benefits.<ul style="list-style-type: none">○ The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the 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, 2023, was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were \$8,864 and \$11,561 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the University reported a liability of \$317,675 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the University's proportion was 0.08394% as compared to 0.09378% at June 30, 2021.

For the year ended June 30, 2023, the University recognized LODA OPEB expense of \$45,449. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	LODA Deferred Outflows of Resources	LODA Deferred Inflows of Resources
Differences between expected and actual experience	\$24,406	\$59,373
Changes in assumptions	88,591	78,354
Net difference between projected and actual earnings on LODA OPEB plan investments	0	1,359
Changes in proportionate share	41,465	48,783
Employer contributions subsequent to the measurement date	8,864	0
Total	\$163,326	\$ 187,869

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

For the fiscal year ending	
June 30, 2024	\$2,726
June 30, 2025	2,755
June 30, 2026	2,786
June 30, 2027	(370)
June 30, 2028	(5,192)
Thereafter	(36,112)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	N/A
-SPORS employees	N/A
-VALORS employees	N/A
-Locality employees	N/A
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Age 65 and older	Fiscal year ended 2023
Investment rate of return	3.69%, including inflation*

Medical Cost Trend Rate Assumptions

Under age 65	7.00% – 4.75%
Age 65 and older	5.25% – 4.75%

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

Mortality rates General state employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service

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

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

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

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

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

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

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

Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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

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

Net LODA OPEB Liability

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the

applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, 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 (2.69%) or one percentage point higher (4.69%) than the current rate:

	1.00% Decrease (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
University's proportionate share of the Line of Duty Act Program Net OPEB Liability	\$362,624	\$317,675	\$280,903

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 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
University's proportionate share of the Line of Duty Act Program Net OPEB Liability	\$267,711	\$317,675	\$380,389

LODA OPEB Plan Fiduciary Net Position

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

Pre-Medicare Retiree Healthcare Plan

Plan Description

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

Following are eligibility requirements for Virginia Retirement System retirees:

- You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
- You start receiving (do not defer) your retirement benefits immediately upon retirement*, and

- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enrolled no later than 31 days from your retirement date.

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

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

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

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 3,674 retirees and 92,839 active employees in the program as of June 30, 2022. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2022. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00% for medical and pharmacy and 4.0% for dental. The ultimate trend rates used were 4.5% for medical and pharmacy and 4.0% for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2022 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.54%
Projected Salary Increases	5.35% to 3.5% based on years of service from 1 year to 20 years or more

Medical Trend Under 65

Medical & Rx: 8.0% to 4.5% Dental: 4.0%

Year of Ultimate Trend

2033

Mortality rates**Pre-Retirement:**

Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years

Post-Retirement:

Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females

Post-Disablement:

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

Beneficiaries and Survivors:

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

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

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

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

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

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

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

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

At June 30, 2023, the employer reported a liability of \$2,459,358 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$363.4 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2022, the University's proportion was 0.67673% as compared to 0.71294% at June 30, 2021. For the year ended June 30, 2023, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of (\$1,491,394).

At June 30, 2023, the employer 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
Differences between expected and actual experience	\$ 0	\$1,123,130
Changes in assumptions	0	2,276,538
Changes in proportion and differences between Employer contributions and proportionate share of contributions	90,537	725,455
Amounts associated with transactions subsequent to the measurement date	268,912	0
Total	\$359,449	\$4,125,123

\$268,912 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

For the fiscal year ending	Amount
June 30, 2024	\$ (1,570,974)
June 30, 2025	(1,108,200)
June 30, 2026	(695,962)
June 30, 2027	(438,163)
June 30, 2028	(221,287)

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.54 %, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1.00% Decrease (2.54%)	Current Discount Rate (3.54%)	1.00% Increase (4.54%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	\$2,596,214	\$2,459,358	\$2,325,377

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.00% decreasing to 4.50%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00% decreasing to 3.50%) or one percentage point higher (9.00% decreasing to 5.50%) than the current rate:

	1.00% Decrease (8.00% decreasing to 3.50%)	Trend Rate (7.00% decreasing to 4.50%)	1.00% Increase (9.00% decreasing to 5.50%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	\$2,238,963	\$2,459,358	\$2,713,146

17. 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; nonperformance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, boiler and machinery, as well as air and watercraft plans. The University pays premiums to the Commonwealth for the aforementioned insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the *Commonwealth's Annual Comprehensive Financial Report*.

18. CONTINGENCIES

Grants and Contracts

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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2023, the University estimates that no material liabilities will result from such audits or questions.

Pending Litigation

The University was not named as a defendant in any cases as of June 30, 2023.

19. RELATED PARTY TRANSACTIONS

The UMW Foundation provides financial support to the University. The UMW Foundation is a separate entity, whose financial position is presented along with the University as required by GASB Statement 39 *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Omnibus*.

Pursuant to the Series 2007 bonds of the Foundation, the University entered into a long-term agreement with the Foundation. Under the terms of this agreement, the University operates and manages the 1201 William Street project (2007 Project) as part of and on an equal basis with its own academic and administrative offices and is responsible for all aspects of the operation of the 2007 Project. The University makes payments to the Foundation twice each year in the amounts necessary to satisfy the Foundation's obligations under the 2007 Project loan agreement and the Deed of Trust. Per the GASB 87, *Leases*, standard this agreement constitutes a lease. While accrued amounts due to the Foundation under this agreement are included in "Due to Foundation" on the University's *Statement of Net Position* future payments are also included in Note 10. The accrued amount Due to Foundation at June 30, 2023 was \$105,443.

Pursuant to the 2008 and 2009 bonds of the Foundation and Eagle Housing, LLC, the University entered into a lease agreement with the Foundation and Eagle Housing, LLC, a wholly-owned subsidiary of the Foundation. In addition to other terms, the agreement required a Project Revenue Fund to be established at the University to collect revenues and pay expenses of operating, maintaining, and insuring the facility. The net results of the Project Revenue Fund were transferred to the Foundation at its request. The agreement was terminated in June 2021 with the intra-entity transfer of assets from the Foundation to the University. However, amounts due from the Foundation related to this agreement totaled \$1,637,538 at the end of fiscal year 2023. This is included in "Due from Foundation" on the University's *Statement of Net Position*.

In December 2009, the Foundation obtained a non-interest bearing, promissory note from the University in the amount of \$1,600,000 for the purpose of purchasing properties for the ultimate ownership and use by the University. Per the agreement, the University committed to purchase the properties from the Foundation and the Foundation committed to sell the properties to the University by the maturity date. In fiscal year 2015, the loan agreement was amended, extending the maturity date to January 2025. In July 2022, the Foundation, with the approval of the University, sold the related property to a third party. As of June 30, 2023, \$1,440,550 has been advanced per the agreement and is included in "Due from Foundation, noncurrent" on the University's *Statement of Net Position*.

The University currently has leases with the Foundation and its related entities for parking, storage, and office space. These leases are included in Note 10, Long-Term Leases Payable.

20. AFFILIATED FOUNDATION

In accordance with GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement 61, *The Financial Reporting Omnibus*, the financial statements do not include the assets, liabilities, and net assets of the University of Mary Washington Alumni Association. The purpose of this organization is to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. This organization is a separately incorporated entity and the related financial statements are reviewed by other auditors.

The following condensed summary is based solely upon the report of another auditor at and for the year ended June 30, 2023.

University of Mary Washington Alumni Association	
Assets:	
Other assets	\$103,790
Total assets	\$103,790
Liabilities and net assets:	
Other liabilities	\$ 26,409
Net assets	77,381
Total liabilities and net assets	\$103,790

The revenues and expenditures of the Alumni Association, determined as if in consolidation with the University, were \$911,165 and \$847,653 respectively, for the year ended June 30, 2023.

21. UMW FOUNDATION FOOTNOTE DISCLOSURES

Full and complete footnotes related to the UMW Foundation can be obtained from the Foundation's audited financial statements. Information as to the UMW Foundation's significant accounting policies, net assets restricted by donors, endowment funds, fair value measurements, and liquidity are not presented below and can only be obtained from the Foundation's audited financial statements.

Cash, Cash Equivalents, and Investments

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The Foundation places its temporary cash investments with high credit quality financial institutions. The Foundation had cash and cash equivalents, including restricted deposits and funded reserves in a financial institution, in excess of the amount insured by agencies of the federal government. Investments are diversified and managed by several different managers. The Foundation monitors its investments and receivables to minimize credit risk.

The market value of investments held by various funds at June 30, 2023 is summarized below:

UMW Foundation Investments	Market Value As of June 30, 2023
Cash and money market funds	\$5,775,898
U.S. Treasury securities	10,806,370
Corporate and government bonds	6,354,420
Equities	8,815,492
Mutual funds	24,187,548
Investments measured at net asset value per share	14,897,142
Total Investments	\$ 70,836,870

The Foundation receives contributions through its gift annuity program whereby in exchange for gifts of cash or securities, the Foundation promises to pay a fixed annual amount for life to the annuitant. The difference between the fair value of the assets received and the present value of the future distributions to the annuitant is recognized as contribution revenue. Upon the death of the annuitant, any balance of the amount in the split-interest account, reverts to the Foundation.

Total payments for year ended June 30, 2023 were \$60,301.

Contributions, Pledges and Other Receivables

Contributions receivable have been discounted at a rate of 5%. The fair value adjustment for 2023 was \$4,542. No changes in the fair value measurement were attributable to instrument specific credit risk.

UMW Foundation had unconditional contributions receivable consisting of the following at June 30, 2023:

Pledges Receivable	
Pledges due within one year	\$341,099
Pledges due in two to five years	377,721
Total receivables before discount	718,820
Less: discounts to net present value (using a discount rate of 5%)	(30,284)
Pledges receivable – net	\$688,536

The Foundation has a loan receivable of \$75,000 due from a former key employee of the University. No payments were received in 2023. The stated interest rate of 5% per annum has been forgiven by the Foundation.

During 2023, two significant bequests were made to the Foundation by alumni of the University. The first is expected to be in excess of \$30M. As of June 30, 2023, \$9.6M had been received with \$23M recorded as a bequest receivable. The second bequest is expected to be \$3.5M. As of June 30, 2023, \$2.3M was received with the remaining \$1.3M recorded as a bequest receivable.

Capital Assets

A summary of capital asset categories of the UMW Foundation for the year ended June 30, 2023, is presented as follows:

Property and Equipment	
Land	\$ 516,626
Buildings	2,327,287
Buildings improvements	585,355
Assets held for sale	26,968,444
Tenant improvements	2,162,172
Furniture, fixtures, vehicles, and equipment	107,540
Less Accumulated Depreciation	(3,388,946)
Total property and equipment	\$29,278,478

One of the parcels of Stafford land was donated to the Foundation with a restricted deed, limiting the land to be used by an accredited institution of higher learning. The sale of the land will be contingent upon the Foundation securing a release from the restriction. As such, \$4.1M of the assets held for sale is shown as net assets with donor restrictions on the consolidated statement of financial position at June 30, 2023 and 2022. The release of restrictions is reasonably expected to be obtained during the next fiscal year and the land will be reclassified at that time.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses of UMW Foundation consisted of the following at June 30, 2023:

Accounts Payable	
Accounts payable and accrued expenses	\$ 654,321
Accrued interest	130,064
Total accounts payable	\$784,385

Long-Term Indebtedness

Bonds Payable

Series 2007 Bonds – 1201 William Street

In February 2007, the Foundation purchased a building adjacent to the University campus to be operated and managed by the University as part of its faculty offices. The acquisition was financed with tax-exempt financing through a bond pool issuance with the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (Series 2007 Bonds). Interest on the bonds is payable at 4.00% - 4.75% over a 30-year period. The bonds are collateralized by a deed of trust and a lease agreement with the University. The bonds mature August 1, 2037. The outstanding balance at June 30, 2023 was \$1,575,485.

Loans Payable

Loan from University

The loan payable to the University of Mary Washington for the purchase of real estate was established in December 2009 when the Foundation purchased certain property for ultimate ownership and use by the University. Under the agreement, the University committed to loan the Foundation up to \$1,600,000 to purchase multiple specified properties. The University committed to purchase the property from the Foundation, and Foundation committed to sell the properties to the University by the maturity date. In July 2022, the Foundation, with the approval of the University, sold the related property to a third party. The balance outstanding at June 30, 2023 is \$1,440,550.

Loans payable are further described below. Loans payable associated with assets held for sale are reported in Long term liabilities. All balances are as of June 30, 2023 and maturity dates are calendar year:

Loans Payable	Interest Rates	Maturity	Outstanding Balance
Loan payable Eagle Housing, LLC, Eagle Village I, LLC, Eagle Village-Roger Dodger, LLC and Snowden Street, LLC co-borrowers, collateralized by the Eagle Housing, LLC multi-use building and the Stafford County land. The principal payment is due in full at maturity. As part of the most recent renewal, debt covenants were waived through maturity.	BSBY Daily Floating Rate plus 300 basis points	2024	20,605,495
Loan payable to University of Mary Washington, for the purchase of real estate	0.00%	2025	1,440,550
Mortgage note payable, collateralized by deed of trust	5.50%	2028	207,670
Loan payable, non-interest bearing, payable in monthly installments of \$475, collateralized by vehicles	3.69%	2027	22,740
Promissory note payable, Transitional Properties, LLC borrower, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	3.99%	2026	141,673
Total Loans Payable			\$22,418,128

Annual debt service requirements

	Bonds Payable	Loans Payable	Total Long-Term Debt
Future principal commitments:			
Fiscal Year 2024	\$ 80,000	\$ 20,629,837	\$20,709,837
Fiscal Year 2025	80,000	1,466,053	1,546,053
Fiscal Year 2026	85,000	26,691	111,691
Fiscal Year 2027	90,000	126,428	216,428
Fiscal year 2028	95,000	169,120	264,120
Thereafter	1,145,485		1,145,485
Total future principal requirements	<u>\$1,575,485</u>	<u>\$22,418,129</u>	<u>\$23,993,614</u>

Other long-term liabilities, current and noncurrent, include the loans and bonds above along with gift annuities payable of \$395,422.

Deferred Financing Costs

Financing costs of \$135,559 are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at June 30, 2023 was \$66,043.

Related Party Transactions

The Foundation has an agreement to give the University of Mary Washington Alumni Association (UMW AA) annually 20% of unrestricted alumni gifts, with a minimum of \$50,000 each year. For 2023, the Foundation gave the Alumni Association \$135,000. The Alumni Association directs all royalty revenue to the Foundation for scholarships. Under these arrangements, the Foundation had a net payable to the UMW AA of \$103,790 at June 30, 2023.

Commitments

Operating Lease Commitments

The Foundation leases office and retail space over multiple properties to either the University or other privately owned tenants. These leases are classified as operating leases; have an initial term of one year or more; and have consistent payments over the terms of the leases. None of the leases involve intangible assets, natural resources, inventory, or assets under construction.

The following is a schedule by years of future minimum rental revenue under the leases at June 30, 2023:

Future Minimum Rental Leases Revenue	
2024	\$ 1,416,941
2025	1,274,284
2026	1,138,821
2027	644,143
2028	278,954
Thereafter	165,096
Total	<u>\$4,918,239</u>

The University has multiple lease agreements with the Foundation, accounting for more than 45% of the Foundation's future minimum rental amounts.

Assets held for sale

The Foundation, in fiscal years 2023 and 2022, made the decision to sell several groups of assets both with and without discontinuing the operations they support. As such, in accordance with Accounting Standards Codification ("ASC") 360, the assets and related liabilities were recorded as assets held for sale and liabilities associated with assets held for sale on the Foundation's statements. These amounts are included in capital assets, \$26,968,444, and long-term liabilities current and non-current, \$20,605,495, on the University's Statement of Net Position.

22. SUBSEQUENT EVENTS

In September 2023, the Governor approved a budget that included a \$15 million appropriation for the University to purchase from the UMW Foundation the Eagle Village multi-use building (MUB). The MUB currently houses our Finance Office, Procurement and University Communications, and serves as a hub for economic development, including the Fredericksburg Regional Alliance, the Germanna Foundation, and the UMW Foundation, as well as business incubation and entrepreneurship. With some renovation funds included in the amended budget, the MUB will provide a new permanent home for University Police. It will also serve as swing space during future renovations. The asset transfer from the Foundation will result in lease savings for the University, as well as unrelated business income in the form of lease revenue, and additional maintenance expenses. The Foundation will be impacted by reduced lease receipts. The University and Foundation closed on this transaction on June 6, 2024.

The University will continue to experience reduced service capacity in several residence halls. Marshall and Russell, will remain offline permanently, as the University prepares for construction of the new Theatre and Fine Arts Complex where Marshall and Russell currently stand. Custis Hall and Apartment building 3 will be offline in fiscal year 2024 for planned repairs and maintenance. Madison Hall and Apartment building 6 will be offline beginning in the summer of 2024 for repairs and maintenance.

On January 31, 2024, the University closed Monroe Hall, an academic building, due to an inspection and required roof reconstruction. The closure was expected to be temporary but has been extended into the Fall 2024 semester.

Also, in January 2024, the Foundation's taxable loan with the Bank of America was extended from a maturity of June 9, 2024 to June 30, 2025, with certain conditions and covenants. Interest of Bloomberg Short-term Bank Yield Daily Floating Rate plus 350 basis points is to be paid monthly. In addition, proceeds from the sale of Eagle Housing's multi-use building and additional funds, if needed, must be made as a principal payment to the Bank of America so that all but \$7,305,000 of debt principal is expected to remain at June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

The following table reflects the University's share of net pension liability for the years ended June 30, 2023, and the eight previous fiscal years for the VRS State Employee Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer's Share of Net Pension Liability VRS State Employee Retirement Plan

	Employer's Proportion of the Net Pension Liability	Employer's proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.47%	\$21,191,245	\$20,296,784	104.41%	83.26%
2022	0.48%	17,576,104	21,175,118	83.00%	86.44%
2021	0.52%	37,394,333	22,739,164	164.45%	72.15%
2020	0.53%	33,762,539	22,304,690	151.37%	75.13%
2019	0.55%	29,775,000	22,705,458	131.14%	77.39%
2018	0.57%	33,217,000	22,744,510	146.04%	75.33%
2017	0.59%	38,938,000	23,305,516	167.08%	71.29%
2016	0.61%	37,469,000	23,541,763	159.16%	72.81%
2015	0.62%	34,806,000	23,883,968	145.73%	74.28%

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only nine years of data is available. However, additional years will be included as they become available.

The following table reflects the University's share of net pension liability for the years ended June 30, 2023 and eight fiscal years for the VaLORS Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer's Share of Net Pension Liability VaLORS Retirement Plan

	Employer's Proportion of the Net Pension Liability	Employer's proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.28%	\$1,778,237	\$949,237	187.33%	74.41%
2022	0.26%	1,370,727	873,215	156.97%	78.18%
2021	0.26%	2,068,236	934,544	221.31%	65.74%
2020	0.26%	1,828,433	917,146	199.36%	68.31%
2019	0.27%	1,684,000	934,147	180.27%	69.56%
2018	0.23%	1,528,000	802,036	190.52%	67.22%
2017	0.20%	1,545,000	741,257	208.43%	61.01%
2016	0.18%	1,312,000	633,293	207.17%	62.64%
2015	0.19%	1,264,000	664,331	190.27%	63.05%

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only nine years of data is available. However, additional years will be included as they become available.

The following is a schedules of employer contributions for the fiscal years ended June 30, 2015 through June 30, 2023.

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

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$3,198,158	\$3,198,158	0	22,117,275	14.46%
2022	2,934,915	2,934,915	0	20,296,784	14.46%
2021	3,061,922	3,061,922	0	21,175,118	14.46%
2020	3,074,335	3,074,335	0	22,739,164	13.52%
2019	3,014,433	3,014,433	0	22,304,690	13.51%
2018	3,067,022	3,067,022	0	22,705,458	13.51%
2017	3,076,612	3,076,612	0	22,744,510	13.53%
2016	3,243,242	3,243,242	0	23,305,516	13.92%
2015	2,878,880	2,878,880	0	23,541,763	12.23%

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only nine years of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
ValORS Retirement Plan
For the years ended June 30, 2015 through 2023

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	\$232,050	\$232,050	\$0	\$943,294	24.60%
2022	207,883	207,883	0	949,237	21.90%
2021	191,234	191,234	0	873,215	21.90%
2020	201,955	201,955	0	934,544	21.61%
2019	198,192	198,192	0	917,146	21.61%
2018	196,660	196,660	0	934,147	21.05%
2017	165,363	165,363	0	802,036	20.62%
2016	130,260	130,260	0	741,257	17.57%
2015	110,915	110,915	0	633,293	17.51%

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only nine years of data is available. However, additional years will be included as they become available.

The following tables reflect the University's share of other post-employment benefit liability for the fiscal year ended June 30, 2023 and the previous five years for the VRS & DHRM post-employment benefit plans other than pensions. The amounts presented have a measurement date of the previous fiscal year.

Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC)

	Employer's Proportion of the Net OPEB Liability (Asset)		Employer's proportionate Share of the Net OPEB Liability (Asset)		Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
	General State Employee	VALORS Employee	General State Employee	VALORS Employee			
2023	0.56%	0.01%	\$4,550,013	\$102,888	\$43,079,107	10.80%	21.52%
2022	0.57%	0.01%	4,810,757	107,341	42,114,286	11.68%	19.75%
2021	0.61%	0.01%	5,645,462	124,665	45,293,419	12.74%	12.02%
2020	0.64%	0.01%	5,886,887	124,891	44,225,088	13.59%	10.56%
2019	0.65%	0.01%	5,918,000	127,000	44,622,908	13.55%	9.51%
2018	0.65%	0.01%	5,882,000	113,000	42,578,821	14.08%	8.03%

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

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Plan (GLI)

	Employer's Proportion of the Net OPEB Liability (Asset)		Employer's proportionate Share of the Net OPEB Liability (Asset)		Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
	General State Employee	VALORS Employee	General State Employee	VALORS Employee			
2023	0.19%	0.004%	2,329,686	52,619	\$41,903,889	5.69%	67.21%
2022	0.20%	0.004%	2,318,064	51,694	41,786,111	5.67%	67.45%
2021	0.22%	0.005%	3,609,025	79,604	45,750,962	8.06%	52.64%
2020	0.22%	0.005%	3,614,647	76,481	44,225,088	8.35%	52.00%
2019	0.23%	0.005%	3,480,000	75,000	44,650,602	7.96%	51.22%
2018	0.23%	0.004%	3,407,000	65,000	42,596,928	8.15%	48.86%

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

Schedule of Employer's Share of Net OPEB Liability (Asset) Virginia Sickness and Disability Plan (VSDP)

	Employer's Proportion of the Net OPEB Liability (Asset)		Employer's proportionate Share of the Net OPEB Liability (Asset)		Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
	General State Employee	VALORS Employee	General State Employee	VALORS Employee			
2023	(0.35)%	(0.02)%	(1,031,233)	(61,038)	\$26,311,967	(4.15)%	195.90%
2022	(0.36)%	(0.02)%	(1,256,471)	(73,047)	17,559,016	(7.57)%	229.01%
2021	(0.39)%	(0.02)%	(857,881)	(49,854)	17,802,581	(5.10)%	181.88%
2020	(0.41)%	(0.02)%	(808,834)	(44,693)	16,823,009	(5.07)%	167.18%
2019	(0.43)%	(0.02)%	(962,000)	(54,000)	17,797,941	(5.71)%	194.74%
2018	(0.43)%	(0.02)%	(886,000)	(44,000)	17,030,848	(5.46)%	186.63%

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

Schedule of Employer's Share of Net OPEB Liability Line of Duty Act Program (LODA)

	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered-Employee Payroll*	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll*	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.08%	317,675	\$ 862,761	36.82%	1.87%
2022	0.09%	413,562	960,138	43.07%	1.68%
2021	0.09%	369,772	1,019,594	36.27%	1.02%
2020	0.09%	339,591	954,653	35.57%	0.79%
2019	0.10%	300,000	992,283	30.23%	0.60%
2018	0.07%	193,000	855,069	22.57%	1.30%

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

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

Schedule of Employer's Share of Total OPEB Liability Pre-Medicare Retiree Health Plan

	Employer's Proportion of the Collective Total OPEB Liability (Asset)	Employer's proportionate Share of the Collective Total OPEB Liability (Asset)	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Collective Total OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll
2023	0.68%	2,459,358	\$38,847,540	6.33%
2022	0.71%	3,200,315	39,570,171	8.09%
2021	0.73%	4,158,272	40,922,827	10.16%
2020	0.75%	5,120,781	40,446,912	12.66%
2019	0.76%	7,663,672	40,847,091	18.76%
2018	0.74%	9,624,340	39,502,328	24.36%

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

The following is a schedule of employer contributions to other post-employment benefit plans for the fiscal year ended June 30, 2023 and the five previous fiscal years.

Plan	Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll * or Covered- Employee Payroll	Contributions as a % of Covered Payroll or Covered- Employee Payroll
HIC	2023	496,306	496,306	0	44,313,036	1.12%
	2022	482,486	482,486	0	43,079,107	1.12%
	2021	471,680	471,680	0	42,114,286	1.12%
	2020	529,933	529,933	0	45,293,419	1.17%
	2019	519,814	519,814	0	44,225,088	1.18%
	2018	526,550	526,550	0	44,622,908	1.18%
GLI	2023	245,341	245,341	0	45,433,519	0.54%
	2022	230,899	230,899	0	41,903,889	0.54%
	2021	225,645	225,645	0	41,786,111	0.54%
	2020	237,905	237,905	0	45,750,962	0.52%
	2019	229,970	229,970	0	44,225,088	0.52%
	2018	232,183	232,183	0	44,650,602	0.52%
VSDP	2023	116,116	116,116	0	19,035,466	0.61%
	2022	160,503	160,503	0	26,311,967	0.61%
	2021	107,110	107,110	0	17,559,016	0.61%
	2020	110,376	110,376	0	17,802,581	0.62%
	2019	109,068	109,068	0	16,823,009	0.65%
	2018	117,466	117,466	0	17,797,941	0.66%

LODA	2023	8,864	8,864	0	1,029,594	0.86%
	2022	11,561	11,561	0	862,761	1.34%
	2021	12,912	12,912	0	960,138	1.34%
	2020	11,998	11,998	0	1,019,594	1.18%
	2019	12,704	12,704	0	954,653	1.02%
	2018	10,213	10,213	0	999,283	1.02%

Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

**Covered Payroll is reported for the HIC, GLI, and VSDP plans. 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.*

VRS and VaLORS PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS
Changes of benefit terms

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

Changes of assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows.

General State Employees

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

VaLORS Employees

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

Teachers (GLI)

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

SPORS Employees (GLI, HIC, LODA, VSDP)

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

JRS Employees (GLI, HIC)

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

Largest Ten Locality Employers - General Employees (GLI)

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Largest Ten Locality Employers –Hazardous Duty Employees (GLI, LODA)

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

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

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

DEPARTMENT OF HUMAN RESOURCES MANAGEMENT PRE-MEDICARE RETIREE HEALTHCARE PLAN

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 assumptions were updated since the June 30, 2021 valuation based on recent experience.

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

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

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



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 13, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
University of Mary Washington

Dr. Troy D. Paino
University of Mary Washington

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

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

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

We did not audit the financial statements of the discretely presented component unit of the University, which is discussed in Notes 1 and 21. Those statements were audited by another auditor

whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based solely on the report of the other auditor.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 2, 6, and 11 of the accompanying financial statements, the University of Mary Washington implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, related to accounting and financial reporting for subscription liabilities and right-to-use subscription assets. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 2 through 11; the Schedule of Employer's Share of Net Pension Liability and the Schedule of Employer Contributions on pages 85 through 87; the Schedule of Employer's Share of Net OPEB Liability (Asset) for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 88 through 89; the Schedule of Employer's Share of Total OPEB Liability on page 90; the Schedule of Employer Contributions for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 90 through 91; and the Notes to the Required

Supplementary Information for pension and OPEB plans on pages 92 through 95. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JDE/clj

UNIVERSITY OFFICIALS

Board of Visitors at June 30, 2023

Devon W. Cushman '93, Rector
Robert J. Strassheim '96, Vice Rector
Charles S. Reed, Jr. '11, Secretary

Kerri S. Barile '94
Heather M. Crislip '95
Andrew T. Lamar '07
Patricia G. McGinnis '69
Princess R. Moss '83
W. Lee Murray '04
Davis C. Rennolds '06
Deborah A. Santiago '90
Terrie L. Suit '16

University Leadership

Troy D. Paino
President

Craig Erwin
Vice President for Administration and Finance
and Chief Financial Officer

Julie R. Smith
Associate Vice President for Finance