

JAMES MADISON UNIVERSITY®

AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2023

JAMES MADISON UNIVERSITY

AUDITED FINANCIAL REPORT 2022 – 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Overview

This Management's Discussion and Analysis (MD&A) is required supplementary 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, where presented, are for the fiscal year ending June 30, 2022. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The University's financial statements referred to above were prepared in accordance with Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. The three required financial statements are the Statement of Net Position (balance sheet), the Statement of Revenues, Expenses, and Changes in Net Position (operating statement), and the Statement of Cash Flows. These statements are summarized and analyzed in the following sections.

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

The following GASB statement of standards became effective in fiscal year 2023: Statement No. 96, *Subscription-Based Information Technology Arrangements*. See Note 1B for further discussion of the impact to the University's financial statements.

Additional statements effective during fiscal year 2023 (in full or in part) included Statement No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and Statement No. 89, *Omnibus 2022*, (paragraphs 11 through 25 only). None of these Statements had a significant effect upon the University's financial statements for the current year.

Statement of Net Position

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

Net position is classified as follows:

- Net investment in capital assets – Net investment in capital assets represents the University’s total investment in capital assets, net of accumulated depreciation, amortization, and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.
- Restricted net position, expendable – The expendable restricted position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- Restricted net position, nonexpendable – Nonexpendable restricted net position consists of endowments and similar type funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.
- Unrestricted net position – Unrestricted net position represents resources used for the University’s general operations. They may be used at the discretion of the University’s Board of Visitors to meet current expenses for any lawful purpose in support of the University’s primary missions of instruction, public service and outreach. These resources are derived from student tuition and fees, state appropriations and sales and services of auxiliary enterprises. The auxiliary enterprises are self-supporting entities that provide services for students, faculty and staff.

Statement of Net Position
(In thousands)

	2023	2022*	Change	
			Amount	Percent
Current assets	\$ 332,504	\$ 347,574	\$ (15,070)	(4.3%)
Noncurrent assets				
Capital assets, net	1,368,909	1,361,320	7,589	0.6%
Other noncurrent assets	158,443	19,516	138,927	711.9%
Total noncurrent assets	1,527,352	1,380,836	146,516	10.6%
Total Assets	1,859,856	1,728,410	131,446	7.6%
Deferred outflow of resources	41,024	50,808	(9,784)	(19.3%)
Total Assets and deferred outflow of resources	1,900,880	1,779,218	121,662	6.8%
Current liabilities	143,055	147,611	(4,556)	(3.1%)
Noncurrent liabilities				
Long-term liabilities	405,899	437,701	(31,802)	(7.3%)
Net pension liability	126,928	102,203	24,725	24.2%
OPEB liability	46,512	50,782	(4,270)	(8.4%)
Total Noncurrent liabilities	579,339	590,686	(11,347)	(1.9%)
Total liabilities	722,394	738,297	(15,903)	(2.2%)
Deferred inflow of resources	55,674	113,546	(57,872)	(51.0%)
Total liabilities and deferred inflow of resources	778,068	851,843	(73,775)	(8.7%)
Net position				
Net investment in capital assets	946,221	912,013	34,208	3.8%
Restricted - expendable	156,357	17,719	138,638	782.4%
Unrestricted	20,234	(2,357)	22,591	958.5%
Total net position	\$ 1,122,812	\$ 927,375	\$ 195,437	21.1%

**as restated*

In 2023, the University's total assets and deferred outflow of resources increased by \$121.7 million. A significant portion related to an increase in noncurrent assets of \$146.5 million, which is primarily attributable to increased amounts due from the Commonwealth of \$145.7 million in capital appropriations. These appropriations available represent state general funds made available in 2023 for two major projects (Carrier Library renovation project of \$116.7 million and East Campus Steam Plant renovation project of \$30.2 million). This increase to total assets was offset by a reduction to cash and cash equivalents of \$15.7 million, primarily driven by a \$11.1 million decrease to auxiliary cash due to increased capital spending (Village Housing Ph. 1 \$4.3 million and Convocation Center Renovation \$12.9 million, compared to only the Convocation Center Renovation at \$4.8 million in 2022). An additional factor in the decrease to cash was the distribution to students of \$5.3 million in American Rescue Plan Act (ARPA) funds in 2023 that were carried forward from 2022. No additional ARPA funds were received by the University in 2023.

In addition to the increases to current assets cited above, net capital assets also increased \$7.6 million. Net additions to capital assets in the current year were up slightly, totaling \$40.9 million. As with the prior year there were no major completed projects, so the majority of the additions were to construction in progress for the following projects: Carrier Library renovation (\$6.8 million), the Convocation Center renovation (\$12.9 million) and phase one of the Village Housing project (\$4.3 million). Net additions to capitalized equipment comprised another \$7.4 million, and additions to intangible assets from the implementation of GASB 96 – SBITAs were \$3.1 million. Net additions to capital assets were offset by an increase to accumulated depreciation and amortization of \$37.0 million (current year depreciation and amortization expense of \$57.0 million, less accumulated depreciation on asset disposals of \$20.0 million). Capital asset activity is further discussed in the next section of this analysis. The decrease in deferred outflows of resources (\$9.8 million) can be attributed to a decrease in deferred outflows related to the State pension plan (\$8.2 million) and the State OPEB plans (\$0.7 million) as provided by the Virginia Retirement System (VRS), as well as a decrease in outflows related to prior debt refundings (\$0.9 million).

Current liabilities decreased \$4.6 million. Part of this decrease is attributable to a \$2.3 million decrease in obligations under the securities lending program as provided by the Department of Accounts. Securities lending balances reported represent the University’s allocated share of the activity in the General Account of the Commonwealth (see footnote 2D for details on the securities lending program). The remainder of the decrease is due to a \$2.1 million decrease in the current portion of long-term liabilities, which is the result of current year payment of the prior year’s CARES Act FICA deferral liability (\$4.7 million), eliminating that balance for 2023, offset by an increase of \$2.1 million due to the shift of payments for revenue bonds back to the regular payment schedule as the result of the Virginia College Building Authority’s 9(d) debt restructuring and refinancing in 2021; the restructuring shifted certain payments to later dates, effectively lowering the current portion of the debt liability in the prior year.

Non-current liabilities decreased by \$11.3 million, primarily due to a decrease in long-term liabilities of \$31.8 million due to the effect of current year debt principal payments combined with no new debt issues during 2023, as well as the shifting effect of the 2021 restructuring of 9(d) debt principal payments between current and non-current liabilities as described above. For more detailed debt information, see the Capital Asset and Debt Administration section. This decrease was offset by a \$24.7 million increase in net pension liability related to the University’s portion of VRS’ unfunded pension liability, and a \$4.3 million decrease in the OPEB liability related to the University’s portion of VRS and DHRM’s unfunded OPEB liabilities. The decrease in deferred inflows of resources (\$57.9 million) can be attributed to a decrease in deferred inflows related to the State pension plan (\$48.2 million), and the State OPEB plans (\$8.6 million) as provided by VRS and the Department of Human Resource Management (DHRM), as well as the effect of leases receivable recognized under GASB Statement No. 87, for which a coordinating deferred inflow was recognized (\$1.0 million).

The increase in total assets and deferred outflows of resources along with the decrease in total liabilities and deferred inflow of resources is reflected in the \$195.4 million increase of the University’s total net position. Net investment in capital assets increased \$34.2 million, an indication that capital project initiatives are moving forward post-pandemic, as the University and the Commonwealth continue to recover from the fiscal slowdowns during that period.

Capital Asset and Debt Administration

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

Depreciable capital asset additions totaled \$36.6 million in 2023, as compared to \$22.3 million in 2022.

PROJECTS COMPLETED OR ACQUIRED DURING 2022-23 *(in thousands)*

PROJECT	CAPITALIZED COST
Various Building Improvements > \$250K	\$ 9,926
Various Maintenance Reserve Projects > \$250K	3,106
Various Other Improvements > \$250K	5,988
Various Infrastructure Improvements > \$250K	974
All other capitalized additions	16,638
TOTAL	\$ 36,632

There were \$2.0 million in non-depreciable additions for 2023 other than construction in progress, which were primarily land purchases. Depreciation expense was \$53.7 million with net asset retirements of \$0.7 million. Amortization expense for intangible capital assets was \$3.3 million.

Major projects under construction in 2023 totaled \$40.1 million, as compared to \$19.4 million in 2022.

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

PROJECT	AMOUNT
Convocation Center Renovation	\$ 17,756
Carrier Library Renovation/Expansion	10,532
Replace Village Housing, Phase 1	4,306
Various Maintenance Reserve Projects	1,495
All other projects in progress	5,973
TOTAL	\$ 40,062

The remaining balance of “Construction in progress” was comprised of subscription-based information technology arrangements (SBITAs) in progress of \$2.5 million in 2023 and \$0.8 million in 2022.

The University’s total long-term bond debt decreased to \$399.1 million in 2023 from \$426.3 million in fiscal year 2022. The decrease is the result of debt principal payments made throughout the year on outstanding debt balances. There were no new debt issues in fiscal year 2023.

The University’s Board of Visitors approved “Debt Management Guidelines and Procedures” established that the maximum annual debt service costs as a percentage of total operating revenues shall not exceed ten percent for non-revenue producing capital projects. The University’s 2023 ratio was 6.5%, as compared to 4.9% for 2022.

Overall, unpaid construction commitments increased from \$22.5 million in 2022 to \$164.3 million in 2023, and other related contractual commitments increased from \$1.4 million to \$1.7 million, respectively.

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

PROJECT	UNPAID COMMITMENT
Carrier Library Renovation/Expansion	\$ 92,536
Village Student Housing	58,843
East Campus Power Plant Ph. 1	5,853
All other construction contracts	7,102
TOTAL	\$ 164,334

Further information relating to capital assets, construction, and capital debt is included in the Notes to Financial Statements in Notes 6 and 9. Information on other contractual commitments is included in Note 18.

Statement of Revenues, Expenses, and Changes in Net Position

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

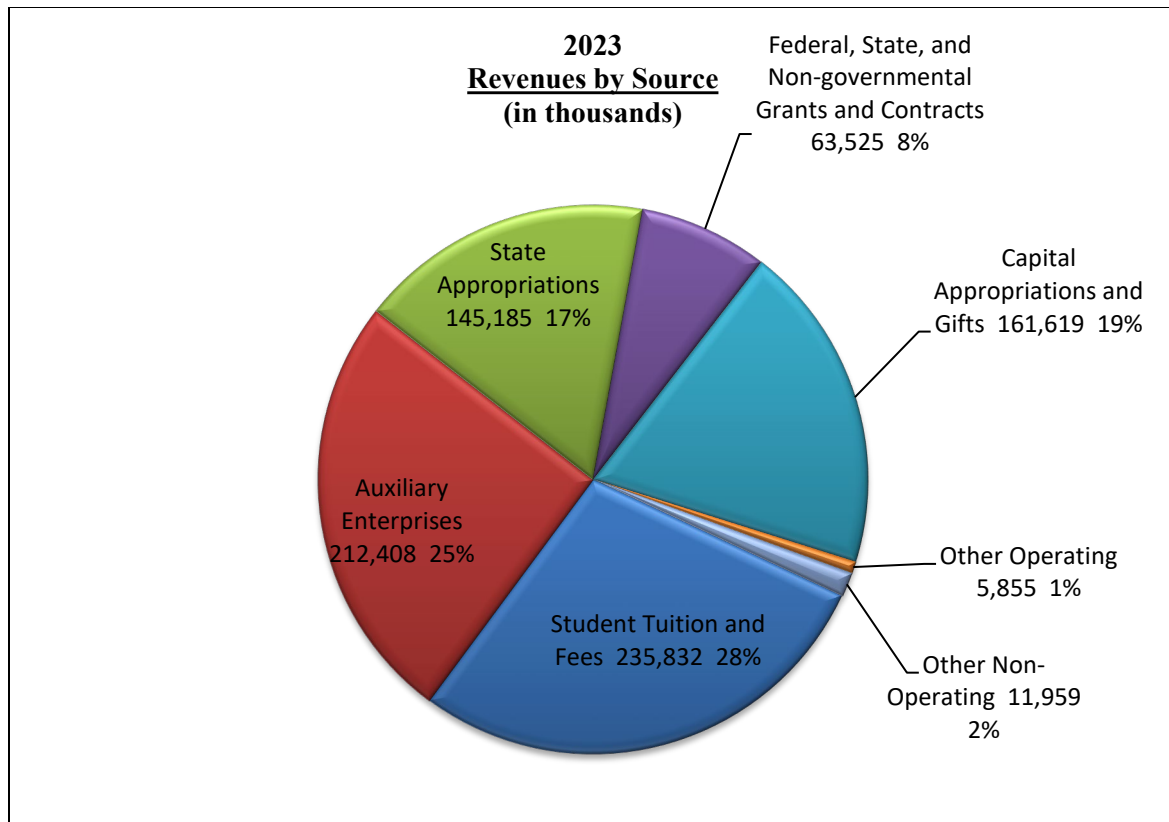
Generally, operating revenues are received through providing goods and services to students and other constituencies of the University. Operating expenses are those expenses made to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's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

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

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

	2023	2022	Change	
			Amount	Percent
Operating revenues	\$ 497,630	\$ 480,481	\$ 17,149	3.6%
Operating expenses	624,242	593,949	30,293	5.1%
Operating gain (loss)	(126,612)	(113,468)	(13,144)	(11.6%)
Nonoperating revenues (expenses)				
State appropriations	145,185	139,725	5,460	3.9%
Grants and Contracts	19,990	46,212	(26,222)	(56.7%)
OPEB-related contribution revenue	6,601	1,069	5,532	517.5%
Gifts	1	2	(1)	(50.0%)
Investment Income	5,356	630	4,726	750.2%
Interest on capital asset related debt	(12,950)	(13,541)	591	4.4%
Gain (loss) on disposal of plant assets	(655)	(257)	(398)	(154.9%)
Payments to the Commonwealth	(3,098)	(3,098)	-	0.0%
Net nonoperating revenue (expenses)	160,430	170,742	(10,312)	(6.0%)
Income (loss) before other revenues, expenses, gains, or losses	33,818	57,274	(23,456)	(41.0%)
Capital appropriations and contributions	155,746	11,817	143,929	1,218.0%
Capital gifts	5,873	1,314	4,559	347.0%
Total other revenues	161,619	13,131	148,488	1,130.8%
Increase in net position	195,437	70,405	125,032	177.6%
Net position - beginning of year, as restated	927,375	856,970	70,405	8.2%
Net position - end of year	\$ 1,122,812	\$ 927,375	\$ 195,437	21.1%

Following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University's activities for the year ended June 30, 2023. As noted above, critical recurring revenue sources such as state and capital appropriations are considered non-operating.

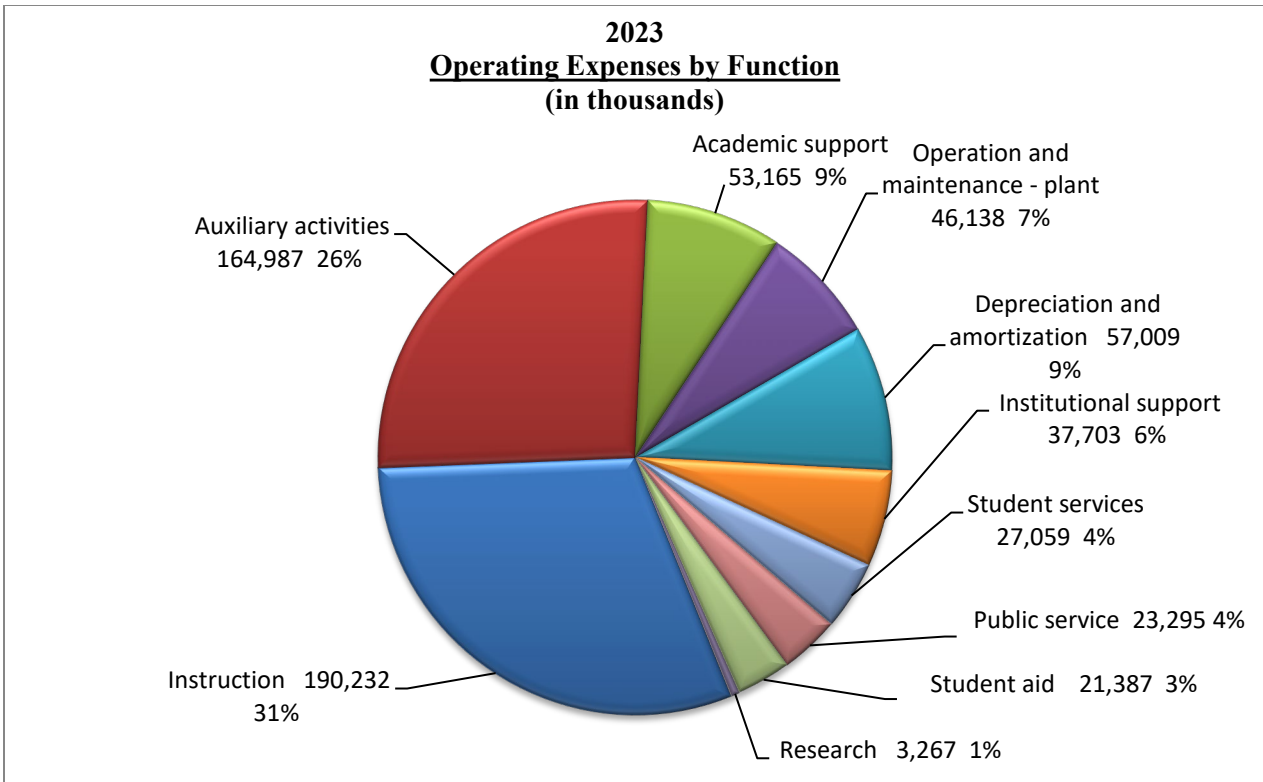


	2023	2022	Change	
			Amount	Percent
Operating revenues:				
Student tuition and fees, net	235,832	232,347	\$ 3,485	1.5%
Grants and contracts	43,535	40,811	2,724	6.7%
Auxiliary enterprises, net	212,408	202,346	10,062	5.0%
Other operating revenues	5,855	4,977	878	17.6%
Total operating revenues	497,630	480,481	17,149	3.6%
Nonoperating revenues:				
State appropriations	145,185	139,725	5,460	3.9%
Grants and contracts	19,990	46,212	(26,222)	(56.7%)
Other nonoperating revenue	11,959	1,701	10,258	603.1%
Total nonoperating revenues	177,134	187,638	(10,504)	(5.6%)
Other revenues:				
Capital appropriations and contributions	155,746	11,817	143,929	1,218.0%
Capital gifts	5,873	1,314	4,559	347.0%
Total other revenues	161,619	13,131	148,488	1,130.8%
Total revenues	836,383	681,250	155,133	22.8%

Operating revenues, consisting mostly of tuition and fees and auxiliary enterprises, increased \$17.1 million (or 3.6 percent) from the prior fiscal year. This increase is mainly attributable to increased auxiliary revenues (\$10.1 million), which includes increased revenue from on-campus meal plans (\$3.1 million) and the related increase to commissions revenue (\$1.6 million). During the COVID pandemic in 2021, the campus experienced a four week closure in the fall semester and a delay of the spring semester, which significantly impacted revenues and expenses campus-wide, especially student-facing auxiliary functions such as residence life, dining services, recreation, etc. Over the course of 2022 and 2023, auxiliary revenues have rebounded and surpassed pre-pandemic levels. Another area that saw an increase in 2023 due to these factors was International Programs, which had increased revenue of \$2.2 million in fees over 2022 due to increased student participation in study abroad programs. Auxiliary revenues increased and additional \$2.3 million from comprehensive fee revenue (net of scholarship discounts and allowances) due to an increase in the comprehensive fee rate of 4.4 percent, offset by an increase in scholarship allowances and discounts. Tuition revenue increased \$3.5 million (or 1.5 percent) mainly due to increased participation in study abroad programs (\$3.2 million).

Nonoperating revenues, which are comprised mainly of state appropriations and non-operating grants and contracts, decreased \$10.5 million or 5.6 percent. This decrease is primarily due to a \$26.2 million decrease in non-operating grants and contracts, which is attributable to a decrease of \$31.8 million in Federal Higher Education Emergency Relief Funds (HEERF) for institutional and student relief for the COVID-19 pandemic, which were no longer received after 2022. This decrease was offset by a \$5.3 million increase in American Rescue Plan Act (ARPA) funds received for student financial aid. Further offsetting the overall decrease to non-operating revenue was an increase to other non-operating revenue of \$10.3 million. This increase was mainly driven by two factors: an increase in pension and OPEB-related revenue of \$5.5 million resultant from special employer contributions to the plans as provided by VRS, and an increase in investment revenue of \$4.7 million due to increased interest yield distributed to the University by the Commonwealth (\$3.3 million) as well as improved interest earnings on University investments due to overall economic conditions compared to the prior year (\$1.0 million).

The following graphical illustration presents total operating expenses for fiscal year 2023 by function:



	2023	2022	Change	
			Amount	Percent
Operating expenses:				
Instruction	190,232	185,668	\$ 4,564	2.5%
Research	3,267	2,843	424	14.9%
Public service	23,295	22,105	1,190	5.4%
Academic support	53,165	47,536	5,629	11.8%
Student services	27,059	24,929	2,130	8.5%
Institutional support	37,703	46,660	(8,957)	(19.2%)
Operation and maintenance - plant	46,138	41,546	4,592	11.1%
Depreciation and amortization	57,009	55,739	1,270	2.3%
Student aid	21,387	36,454	(15,067)	(41.3%)
Auxiliary activities	164,987	130,469	34,518	26.5%
Total operating expenses	624,242	593,949	30,293	5.1%

Total 2023 operating expenses increased \$30.3 million, or five percent. Compensation expenses, consisting of the natural expense classifications salaries, wages, and fringe benefits, comprise the largest University expense. Compensation expenses comprised 55% of the University's total operating expenses in 2023 and 54% in 2022. Compensation expense increased \$18.7 million (5.8 percent) over the prior year. This was due to two five percent across-the-board pay increases, offset by a decrease to salaries expense of \$19.5 million from the impact of the pension and OPEB liability changes provided by VRS and the Department of Human Resource Management (DHRM). Auxiliary expenses not related to compensation increased by \$20.0 million, or 21.4%. Most of these increases occurred in Dining Services (\$6.6 million), Residence Life (\$2.9

million), and other auxiliary activities (\$5.8 million) due to continued improvement of auxiliary activities post-pandemic. Student aid in 2023 included \$5.3 million in ARPA funds, while student aid in 2022 included \$15.9 million in HEERF funds. We received the HEERF funding for 2020, 2021 and 2022. Expenses related to institutional support decreased \$9.0 million (approximately 19.2%), as the University resumed distribution of auxiliary indirect cost recoveries back to education and general functions as required by the Commonwealth. During the pandemic years 2020 through 2022, the Virginia General Assembly placed a moratorium on the recovery requirement, which then ended during 2023.

Net non-operating revenue and expenses totaled \$160.4 million, a decrease of \$10.3 million from the prior year. This decrease is attributable to the increases in non-operating expenses discussed in the previous section.

Statement of Cash Flows

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

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

Statement of Cash Flows
(in thousands)

	2023	2022	Change	
			Amount	Percent
Cash provided (used) by:				
Operating activities	\$ (99,513)	\$ (68,625)	\$ (30,888)	45.0%
Non-capital financing activities	161,859	182,441	(20,582)	(11.3%)
Capital financing activities	(85,965)	(49,301)	(36,664)	74.4%
Investing activities	4,979	567	4,412	778.1%
Net increase (decrease) in cash	(18,640)	65,082	(83,722)	(128.6%)
Cash - beginning of the year	300,024	234,942	65,082	27.7%
Cash - end of the year	\$ 281,384	\$ 300,024	\$ (18,640)	(6.2%)

Major sources of cash from operating activities include student tuition and fees (\$234.8 million in 2023 and \$233.2 million in 2022), auxiliary enterprises receipts (\$212.9 million in 2023 and \$202.3 million in 2022), and grants and contracts (\$38.9 million in 2023 and \$48.0 million in 2022). Major uses of cash include payments for salaries, wages, and fringe benefits (\$366.2 million in 2023 and \$340.8 million in 2022), payments for supplies, services, and utilities (\$174.7 million in 2023 and \$152.2 million in 2022), and payments for non-capitalized plant improvements and equipment (\$29.7 million in 2023 and \$28.1 million in 2022).

Cash flows from non-capital financing activities include state appropriations for the University's educational and general programs and financial aid of \$145.3 million and \$139.7 million in 2023 and 2022, respectively. The cash flows from capital financing activities section deals with cash used for the acquisition and construction of capital and related items. Primary sources of cash from capital financing activities in 2023 and 2022 include capital appropriations and contributions (\$9.9 million in 2023 and \$10.8 million in 2022). Significant cash outflows include purchases and construction of capital assets (\$59.5 million in 2023 and \$31.2 million in 2022) and repayment of principal and interest on capital related debt (\$38.7 million in 2023 and \$28.2 million in 2022).

Economic Outlook

As part of the Commonwealth of Virginia's statewide system of higher education, the University's economic outlook is closely tied to that of the Commonwealth. Economic factors related to the Commonwealth can be found in the Commonwealth's Annual Comprehensive Financial Report (ACFR). In July 2023, the Governor announced that the Commonwealth finished fiscal year 2023 with a \$5.1 billion surplus. The August 2023 Secretary of Finance presentation to the Senate and House Finance and Appropriations Committees highlighted the budget surplus but recommended continued caution. It noted the market has increasingly moved to a "soft landing" outlook as contrasted with a potential recession in the prior year. In September 2023, the Governor announced August general fund revenues exceed the forecast for 2024. The Secretary of Finance noted it is still too early to draw conclusions about full-year revenue collections and noted concerns over interest rates, inflation, and other uncertainties including a federal government shutdown result in a cautious outlook continuing over the near term.

As a public institution, the University receives significant Commonwealth support from operating and capital appropriations. In 2023, state operating appropriations covered 36% of operating expenses, excluding auxiliary activities and depreciation. \$14.9 million reverted in 2022 was re-appropriated in 2023, and the \$23.2 million reverted in 2023 has been re-appropriated in 2024. The General Assembly made additional investments in higher education during the 2023 legislative session. The University's 2024 base budget was increased by \$5.6 million over the 2023 base budget, almost entirely related to financial aid.

The University remains financially well-positioned to adjust as circumstances evolve over the remainder of the current fiscal year. As in 2022, the University generated an overall increase in net position during 2023. This indicates the University's sound and prudent uses of financial resources and the ability to maintain a favorable financial position.

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FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2023 (with comparative information as of June 30, 2022)

	2023		2022	
	James Madison University	Component Unit	James Madison University	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 280,873,959	\$ 6,734,246	\$ 296,535,953	\$ 13,267,323
Securities lending - Cash and cash equivalents (Note 2)	18,380,983	-	20,700,241	-
Short-term investments (Note 2)	5,891,869	-	4,656,692	-
Accounts receivable (Net of allowance for doubtful accounts of \$1,249,704 and \$1,176,198 for 2023 and 2022, respectively) (Note 3)	11,231,154	157,320	10,324,671	154,658
Accounts receivable from James Madison University		21,823	-	-
Contributions receivable (Net of allowance for doubtful contributions of \$148,265 and \$150,752 for 2023 and 2022, respectively) (Note 3)	-	3,458,831	-	5,903,378
Due from the Commonwealth (Note 4)	5,831,408	-	2,865,383	-
Prepaid expenses	8,427,384	53,724	9,798,458	109,998
Prepaid expenses to component unit	364,013	-	360,409	-
Inventory	1,369,419	-	1,106,302	-
Leases receivable (Note 5)	40,103	-	1,097,453	-
Leases receivable from James Madison University	-	-	-	78,687
Notes receivable (Net of allowance for doubtful accounts of \$4,779 and \$28,970 for 2023 and 2022, respectively)	93,807	-	128,441	-
Total current assets	332,504,099	10,425,944	347,574,003	19,514,044
Non-current assets:				
Restricted cash and cash equivalents (Note 2)	509,776	-	3,488,023	-
Endowment investments (Note 2)	-	99,316,523	-	92,818,510
Other long-term investments (Note 2)	2,097,436	75,157,716	2,134,746	61,973,442
Land held for future use	-	6,264,640	-	6,264,640
Contributions receivable (Net of allowance for doubtful contributions of \$216,350 and \$169,564 for 2023 and 2022, respectively) (Note 3)	-	6,951,737	-	8,308,619
Due from the Commonwealth (Note 4)	145,373,518	-	2,643,550	-
Finance lease receivable from James Madison University	-	8,066,410	-	8,114,978
Prepaid expenses	893,225	-	295,125	-
Leases receivable (Note 5)	2,008,496	-	2,048,599	-
Notes receivable (Net of allowance for doubtful accounts of \$18,422 and \$118,836 for 2023 and 2022, respectively)	361,567	9,538,152	526,872	10,069,101
Capital assets, net: (Note 6)				
Non-depreciable	131,346,871	767,471	106,332,335	767,471
Depreciable	1,221,791,643	2,597,410	1,239,582,225	2,695,342
Intangible right-to-use assets (Notes 5 and 6)	15,771,056	-	15,405,784	-
OPEB asset (Note 13)	7,198,592	-	8,378,671	-
Other assets	-	73,638	-	68,294
Total non-current assets	1,527,352,180	208,733,697	1,380,835,930	191,080,397
Total assets	1,859,856,279	219,159,641	1,728,409,933	210,594,441
DEFERRED OUTFLOW OF RESOURCES				
Related to debt refundings (Note 10)	5,220,624	-	6,163,206	-
Related to pensions (Note 12)	24,468,304	-	32,636,032	-
Related to OPEB (Note 13)	11,335,448	-	12,008,448	-
Total deferred outflow of resources	41,024,376	-	50,807,686	-
Total assets and deferred outflow of resources	\$ 1,900,880,655	\$ 219,159,641	\$ 1,779,217,619	\$ 210,594,441

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2023 (with comparative information as of June 30, 2022)

	2023		2022	
	James Madison University	Component Unit	James Madison University	Component Unit
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses (Note 7)	\$ 57,963,069	\$ 255,019	\$ 54,163,265	\$ 162,386
Accounts payable to James Madison University	-	-	-	130,873
Unearned revenue	21,077,898	-	24,977,874	325
Unearned revenue from James Madison University	-	364,013	-	360,409
Obligations under securities lending	18,380,983	-	20,700,241	-
Deposits held in custody for others	562,804	-	816,379	-
Long-term liabilities - current portion (Notes 5 and 8)	43,604,022	1,147,303	45,748,450	1,142,325
OPEB liability - current portion (Note 13)	1,465,853	-	1,204,940	-
Total current liabilities	143,054,629	1,766,335	147,611,149	1,796,318
Non-current liabilities:				
Long-term liabilities (Notes 5 and 8)	405,899,103	17,431,796	437,700,560	18,546,620
Net pension liability (Note 12)	126,928,466	-	102,203,076	-
OPEB liability (Note 13)	46,512,262	-	50,782,479	-
Total non-current liabilities	579,339,831	17,431,796	590,686,115	18,546,620
Total liabilities	722,394,460	19,198,131	738,297,264	20,342,938
DEFERRED INFLOW OF RESOURCES				
Related to debt refundings (Note 10)	680,009	-	740,354	-
Related to leases (Note 5)	1,890,884	-	2,910,757	-
Related to pensions (Note 12)	27,769,305	-	75,942,610	-
Related to OPEB (Note 13)	25,333,624	-	33,951,859	-
Total deferred inflow of resources	55,673,822	-	113,545,580	-
Total liabilities and deferred inflow of resources	778,068,282	19,198,131	851,842,844	20,342,938
NET POSITION				
Net investment in capital assets, as restated	946,221,172	2,477,104	912,012,645	2,418,369
Restricted for:				
Non-expendable:				
Scholarships and fellowships	-	65,367,016	-	59,851,155
Research and public service	-	1,952,657	-	1,922,647
Other	-	35,491,380	-	34,966,488
Expendable:				
Scholarships and fellowships	-	25,264,574	-	23,497,497
Research and public service	3,556,638	1,470,342	3,631,212	1,400,531
Debt service	180,393	-	171,931	-
Capital projects	145,629,949	4,194,147	6,130,827	9,337,860
Loans	56,743	-	83,432	-
Other	6,933,581	35,617,989	7,701,860	33,229,739
Unrestricted, as restated	20,233,897	28,126,301	(2,357,133)	23,758,090
Total net position, as restated	\$ 1,122,812,373	\$ 199,961,510	\$ 927,374,774	\$ 190,382,376

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

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

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JAMES MADISON UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2023 (with comparative information for the year ended June 30, 2022)

	2023		2022	
	James Madison University	Component Unit	James Madison University	Component Unit
Operating revenues:				
Student tuition and fees (Net of scholarship allowances of \$33,263,470 and \$25,550,462 for 2023 and 2022, respectively)	\$ 235,832,259	\$ -	\$ 232,346,901	\$ -
Gifts and contributions	-	12,195,136	-	17,083,007
Federal grants and contracts	24,498,601	-	30,381,392	-
State grants and contracts	14,894,752	-	6,304,844	-
Non-governmental grants and contracts	4,141,125	-	4,124,991	-
Auxiliary enterprises (Net of scholarship allowances of \$24,329,726 and \$18,231,598 for 2023 and 2022, respectively) (Note 14)	212,407,899	-	202,346,159	-
Sales and Services of Education and General Activities	2,730,098	-	2,229,885	-
Other operating revenues	3,125,057	1,131,576	2,746,886	1,002,359
Total operating revenues	497,629,791	13,326,712	480,481,058	18,085,366
Operating expenses (Note 15):				
Instruction	190,232,311	681,534	185,667,893	645,861
Research	3,266,708	31,067	2,842,946	40,609
Public service	23,294,988	293,525	22,104,658	622,854
Academic support	53,165,110	1,416,369	47,536,346	1,208,069
Student services	27,058,414	99,224	24,929,127	65,845
Institutional support	37,703,311	8,720,045	46,660,147	8,198,500
Operation and maintenance - plant	46,138,082	4,776,132	41,545,888	(258,442)
Depreciation and amortization	57,009,043	103,139	55,738,765	88,966
Student aid	21,386,990	7,755,644	36,454,373	5,440,024
Auxiliary activities (Note 14)	164,987,014	1,408,154	130,468,918	1,049,255
Total operating expenses	624,241,971	25,284,833	593,949,061	17,101,541
Operating income/(loss)	(126,612,180)	(11,958,121)	(113,468,003)	983,825
Nonoperating revenues/(expenses):				
State appropriations (Note 16)	145,184,927	-	139,724,714	-
Grants and contracts (Note 1T)	19,990,392	-	46,212,621	-
Pension and OPEB-related contribution revenue (Note 12)	6,601,352	-	1,069,353	-
Gifts	640	-	1,887	-
Investment income (loss) (Net of investment expense of \$872,219 and \$58,477 for the University and \$375,897 and \$426,308 for the Foundation for 2023 and 2022, respectively)	5,356,463	12,335,962	629,626	(34,632,142)
In-Kind support from James Madison University	-	5,024,104	-	4,704,071
Interest on capital asset - related debt	(12,950,211)	(635,917)	(13,540,700)	(706,629)
Gain(Loss) on disposal of plant assets	(654,846)	-	(257,026)	-
Payment to the Commonwealth	(3,098,291)	-	(3,098,291)	-
Net nonoperating revenues/(expenses)	160,430,426	16,724,149	170,742,184	(30,634,700)
Income/(loss) before other revenues, expenses, gains or losses	33,818,246	4,766,028	57,274,181	(29,650,875)
Capital appropriations and contributions (Note 17)	155,746,613	-	11,817,244	-
Capital gifts	5,872,740	-	1,313,739	-
Additions to permanent endowments	-	4,813,106	-	4,992,941
Net other revenues	161,619,353	4,813,106	13,130,983	4,992,941
Increase (decrease) in net position	195,437,599	9,579,134	70,405,164	(24,657,934)
Net position - beginning of year (Note 1B)	927,374,774	190,382,376	856,969,610	215,040,310
Net position - end of year, as restated	\$ 1,122,812,373	\$ 199,961,510	\$ 927,374,774	\$ 190,382,376

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

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

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

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

	2023	2022
Cash flows from operating activities:		
Student tuition and fees	\$ 234,810,546	\$ 233,165,798
Grants and contracts	38,896,177	47,982,421
Auxiliary enterprises	212,910,419	202,332,528
Other receipts	6,206,191	5,274,613
Payments for compensation and benefits	(366,182,624)	(340,797,793)
Payments for services, supplies and utilities	(174,737,046)	(152,217,961)
Payments for scholarships and fellowships	(21,386,990)	(36,454,373)
Payments for non-capitalized plant improvements and equipment	(29,734,594)	(28,061,305)
Refunds to the federal government (Perkins loan contributions)	(204,680)	(290,456)
Collections of loans from students	178,483	197,229
Custodial receipts	1,326,871	3,533,682
Custodial payments	(1,595,446)	(3,289,679)
Federal direct lending program receipts	91,535,522	89,969,676
Federal direct lending program disbursements	(91,535,522)	(89,969,676)
Net cash used by operating activities	(99,512,693)	(68,625,296)
Cash flows from noncapital financing activities:		
State appropriations	145,288,204	139,663,400
Nonoperating grants and contracts	19,668,398	45,873,985
Payment to the Commonwealth	(3,098,291)	(3,098,291)
Loans issued to students and employees	(17,181)	(5,695)
Collections of loans from students and employees	17,181	5,695
Gifts and grants for other than capital purposes	640	1,887
Net cash provided by noncapital financing activities	161,858,951	182,440,981
Cash flows from capital and related financing activities:		
Capital appropriations and contributions	9,947,343	10,777,051
Proceeds from sale of capital assets	168,583	127,357
Capital gifts	5,683,579	1,303,149
Purchase of capital assets	(59,481,991)	(31,181,708)
Payments on leases and subscription-based information technology arrangement	(3,590,066)	(2,119,529)
Principal paid on capital debt and financing lease	(23,835,576)	(12,852,101)
Interest paid on capital debt and financing lease	(14,857,542)	(15,354,658)
Net cash used by capital and related financing activities	(85,965,670)	(49,300,439)
Cash flows from investing activities:		
Interest on investments	2,029,199	142,705
Interest on cash management pools	3,997,815	729,205
Proceeds from sale of investments	36,429	833,534
Purchase of investments	(1,084,272)	(1,138,534)
Net cash provided by investing activities	4,979,171	566,910
Net increase (decrease) in cash	(18,640,241)	65,082,156
Cash and cash equivalents - beginning of the year	300,023,976	234,941,820
Cash and cash equivalents - end of the year	\$ 281,383,735	\$ 300,023,976

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

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

	2023	2022
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (126,612,180)	\$ (113,468,003)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense	57,009,043	55,738,765
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Receivables, net	(906,483)	(1,615,624)
Prepaid expenses	768,636	(383,629)
Inventory	(263,117)	(156,950)
Notes receivable, net	199,939	187,912
Leases receivable	1,097,453	(1,027,656)
Intangible assets	(365,272)	(8,166,645)
OPEB asset	1,180,079	(3,014,665)
Deferred outflows of resources - pension and OPEB	8,840,728	18,742,332
Accounts payable and accrued expenses	(3,267,991)	(2,747,911)
Unearned revenue	(3,899,976)	9,889,927
Net lease liability	(1,031,340)	564,314
Net subscription based information technology arrangements liability	234,950	6,347,476
Net Pension liability	30,803,754	(101,441,308)
OPEB liability	(3,486,316)	(12,170,226)
Accrued compensated absences	439,814	(487,486)
Accrued retirement plan	(1,974,797)	6,338,978
Federal loan programs contributions refundable	(199,629)	(256,919)
Deferred inflows of resources - lease:	(1,019,873)	847,044
Deferred inflows of resources - pension and OPEB	(56,791,540)	77,410,975
Custodial accounts, net	(268,575)	244,003
Net cash used by operating activities	\$ (99,512,693)	\$ (68,625,296)
NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:		
Gift of capital assets	\$ 189,161	\$ -
Amortization of bond premium/discount and gain/loss on debt refinancing	\$ (1,987,762)	\$ (2,050,401)
Change in fair value of investments recognized as a component of interest income	\$ 131,264	\$ (135,627)
Retainage payable	\$ 749,038	\$ 115,014
Loss on disposal of capital assets	\$ (823,429)	\$ (384,383)
Change in pension and OPEB liability recognized as a component of non-operating revenue	\$ 6,601,352	\$ 1,069,353
Right-to-use assets acquired through the assumption of a liability	\$ 533,568	\$ 2,165,637

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

*Certain prior year amounts were restated to agree to current year classification:

JAMES MADISON UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
As of June 30, 2023 (with comparative information as of June 30, 2022)

	2023	2022
	Custodial Funds -	Custodial Funds -
	Other	Other
ASSETS		
Cash and cash equivalents (Note 2)	\$ 340,493	\$ 174,688
Other short-term investments (Note 2)	456,894	464,681
Other assets		-
Total assets	797,387	639,369
LIABILITIES		
Unearned revenue	9,250	14,800
Due to the University	-	15,000
Total liabilities	9,250	29,800
NET POSITION		
Restricted for:		
Organizations and other governments	788,137	609,569
Total fiduciary net position	\$ 788,137	\$ 609,569

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

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

JAMES MADISON UNIVERSITY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

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

	2023	2022
	Custodial Funds -	Custodial Funds -
	Other	Other
Additions:		
Interest	\$ 10,302	\$ 1,574
Conference registrations	1,474	8,111
Other	255,110	231,875
Total additions	266,886	241,560
Deductions:		
Food services	37,441	28,711
Building and equipment rentals	2,400	6,302
Other	48,477	351,898
Total deductions	88,318	386,911
Net increase (decrease) in fiduciary net position	178,568	(145,351)
Net position - beginning of year	609,569	754,920
Net position - end of year	\$ 788,137	\$ 609,569

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

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

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NOTES TO FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

During the year ended June 30, 2023, the Foundation distributed \$18,165,077 to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by writing the Chief Financial Officer, JMU Foundation, Inc., MSC 8501, Harrisonburg, Virginia 22807.

B. Financial Statement Presentation

The financial statements have been prepared in accordance with Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

The GASB Codification of Governmental Accounting and Financial Reporting Standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Under this guidance, the University is required to include a management's discussion and analysis (MD&A), basic financial statements, and notes to the financial statements.

The following GASB statements of standards became effective in fiscal year 2023: Statement No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 99, *Omnibus 2022*, (paragraphs 11 through 25 only). Statement No. 96 establishes that a subscription-based information technology arrangement (SBITA) results in an intangible, right-to-use subscription asset and a corresponding subscription liability – similar to and based on the standards established in Statement No. 87, *Leases*. A SBITA is defined by Statement No. 96 as “a contract that conveys control of the right to use a third party’s information technology software, alone or in combination with tangible assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.” The University recognized liabilities and related net intangible assets of \$6,582,426 and \$9,094,310, respectively, for the fiscal year ending June 30, 2023. Statement No. 96 also requires that if comparative statements are presented, the earliest period presented must be re-stated to reflect the impact of the standard. For this reason, it is noted that certain prior period amounts for the fiscal year ended June 30, 2022, were restated for comparative purposes. The overall impact to prior year ending net position was an increase of \$394,756. Additionally, Statement No. 96 requires footnote disclosure of additional information regarding SBITAs (see Note 5).

Statement No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and Statement No. 99, *Omnibus 2022*, (paragraphs 11 through 25 only) had no significant effect upon the University’s financial statements for the current year.

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

C. Basis of Accounting

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

D. Cash Equivalents and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, purchased investments, interest-bearing temporary

investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

E. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, and amounts due for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state and local governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Leases receivable in-scope under GASB Statement No. 87 also fall into the accounts receivable designation. Accounts receivable are recorded net of allowance for doubtful accounts.

F. Prepaid Expenses

The University has recorded certain expenses for future fiscal years that were paid in advance as of June 30, 2023. Payments of expenses that extend beyond fiscal year 2024 are classified as a non-current asset. Prepaid expenses consist primarily of information technology maintenance contracts, property leases, and insurance.

G. Inventories

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

H. Capital Assets

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

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

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

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

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

Capital assets also include intangible, right-to-use assets for buildings, equipment, and subscription-based software as defined under GASB Statement No.'s 87 and 96. These right-to-use assets are amortized straight-line over the lives of their related underlying agreements.

I. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Position. Assets that will be used to liquidate current liabilities, including capital project liabilities that are expected to be paid within one year, are classified as current assets.

J. Unearned Revenue

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

K. Deposits Held in Custody for Others

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

L. Long-term Debt, Debt Issue Costs, and Financed Purchases

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

Financed purchases include lease obligations in which ownership is transferred at the end of the lease (excluding those with purchase options).

M. Leases and SBITAs

Leases and SBITAs in-scope under GASB Statement No.'s 87 and 96 are required to be reported on the Statement of Net Position. Leases are classified as in-scope under Statement No. 87 if the agreement is valued at greater than \$50,000 and is longer than 12 months in duration. SBITAs are classified as in-scope under Statement No. 96 if the

agreement is valued at greater than \$5,000 and is longer than 12 months in duration. Agreements falling below these thresholds are recognized as outflows of resources (expenses) during the period in which the related payments occur. In-scope situations in which the University acts as the Lessee are recorded as leases/SBITAs payable at the discounted present value of the fixed payment streams stipulated by the related agreement. A coordinating 'right-to-use' intangible asset is recorded and amortized straight-line over the life of the related agreement.

Situations in which the University acts as the Lessor are recorded as leases receivable at the discounted present value of the fixed payment streams. A coordinating deferred inflow of resources is recorded at the same value, and amortized to current year inflows of resources (revenues) straight-line over the life of the lease. Changes to lease terms can result in remeasurement of the lease and adjustments to the related assets/liabilities as necessary, with effects of those changes impacting current year inflows/outflows of resources (revenues/expenses) as reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Leases ultimately transferring ownership are reported separately as financed purchases in Note 5, section C.

N. Accrued Compensated Absences

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

O. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the VaLORS Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 for more information about pension plans.

P. Other Post-Employment Benefits

VRS: Group Life Insurance

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

benefit plan that provides a basic group life insurance benefit for employees of participating employers.

VRS: State Employee Health Insurance Credit Program

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

VRS: Disability Insurance Program

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

VRS: Line of Duty Act Program

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

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

Virginia DHRM: Pre-Medicare Retiree Healthcare Plan

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

See Note 13 for more information about other post-employment benefits.

Q. Federal Financial Assistance Programs

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

R. Deferred Inflows and Outflows of Resources

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

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

S. Net Position

GASB Statement No. 63 requires that the Statement of Net Position report the difference between assets, deferred outflows, liabilities, and deferred inflows as net position, not net assets or fund balances. Net position is classified as net investment in capital assets, restricted, and unrestricted. "Net investment in capital assets" consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints on the net asset/deferral use are either externally imposed by creditors, grantors, contributors, or imposed by law. Unrestricted net position consists of net assets/deferrals that do not meet the definitions above. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to use restricted resources first, then unrestricted resources as needed. During fiscal year 2023, implementation of GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* required that certain amounts related to prior periods be restated for comparative purposes. Those changes resulted in the restatement of net investment in capital assets and unrestricted net position, detailed in Note 1B, above.

T. Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions as defined by GASB Statement No. 9 and GASB Statement No. 34. The University relies on and budgets these revenues for basic operational support of the institutional mission. Non-operating revenues include state appropriations, investment and interest income, and grants and contracts. Prior to 2021, the line item "non-operating grants and contracts"

primarily consisted of Federal Pell grant receipts; post-pandemic, this trend has resumed in 2023. For 2022, “non-operating grants and contracts” include Pell grants and \$31,773,795 for Higher Education Emergency Relief Fund (HEERF III) funding. The HEERF III funding consisted of two portions. The first portion of \$15,914,548 was for direct emergency aid to students. The University fully disbursed that aid and the related expense was reported on the line item “operating expenses student aid.” The second portion of \$15,859,247 was for institutional aid, and those funds were used to reimburse the University for refunds made to students and lost revenue due to the Coronavirus pandemic. During 2023, no further emergency relief funds were received.

U. Scholarship Discounts and Allowances

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

V. 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 managed by the Virginia College Building Authority (VCBA): 21st Century and Equipment Trust Fund. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The Statement of Net Position line item “Due from the Commonwealth” includes pending reimbursements at year-end from these programs, as further described in Note 4. The Statement of Revenue, Expenses, and Changes in Net Position line item “Capital appropriations and contributions” includes reimbursements during the year for the acquisition of equipment and facilities under these programs, as further described in Note 17.

W. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the University’s financial statements for the year ended June 30, 2022, from which the summarized information was derived. It is noted that certain prior period amounts from fiscal year 2022 were restated for conformity with the fiscal year 2023 implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents and investments as of June 30, 2023. The following risk disclosures are required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*:

- Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University had no category 3 deposits or investments for 2023.
- Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This statement requires the disclosure of the credit quality ratings on any investments subject to credit risk.
- Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. This statement requires disclosure of investments with any one issuer with more than five percent of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University places no limit on the amount that may be invested in any one issuer. The following issuer holds more than five percent of the University's investments as of June 30, 2023: United Bank (16.30%).
- Interest Rate Risk – The risk that interest rate changes will adversely affect the fair value of an investment. This statement requires disclosure of maturities for any investments subject to interest rate risk. The University does not have an interest rate risk policy and does not have investments or deposits that are sensitive to changes in interest rates as of June 30, 2023.
- Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had foreign deposits of \$2,364,622 in 2023, consisting of \$1,648,426 in Euros and \$716,196 in Great Britain Pounds Sterling. The University does not have a foreign currency risk policy.

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Except for cash held in foreign banks, cash deposits held by the University are maintained in accounts that are collateralized in

accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. These amounts are insured in accordance with the banking regulations of the respective countries where the funds are maintained. In accordance with the GASB Statement No. 9's definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, cash deposits, including certificates of deposits and temporary investments with original maturities of 90 days or less, and cash equivalents under the state non-arbitrage program (SNAP®).

The Virginia State Non-Arbitrage Program® (SNAP®) offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP® is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in SNAP® should also report their investments in SNAP® at amortized cost.

B. Investments

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

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

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that University has the ability to access.
- Level 2 - Observable inputs other than quoted prices included in Level 1 that are not observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, and/or prices for similar instruments in inactive markets.
- Level 3 - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the University's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

For purposes of determining fair value of investments as of June 30, 2023, the University utilizes Level 1 and Level 2 inputs. Sources of these inputs may include observable price information, and/or quotations received from market makers, brokers, dealers and/or counterparties (when available and considered reliable) provided by independent pricing services or derived from market data. Additionally, sources of Level 2 inputs include valuation by the broker using a continuous evaluated pricing model, utilizing a rules-

based pricing application that evaluates securities based on maturity date, issue date, coupon rate (where relevant) and settlement date.

Cash, cash equivalents, and investments consisted of the following at June 30, 2023:

		GASB 72 Fair Value Measurement					
	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	1-5 Years	Not Applicable to Fair Value Measurement	Level 1	Level 2
Cash:							
Cash with the Treasurer of Virginia		\$ 238,253,684	\$ -	\$ -	\$ 238,253,684	\$ -	\$ -
Cash on hand and deposits with financial institutions*		36,624,240	-	-	36,624,240	-	-
Total Cash		274,877,924	-	-	274,877,924	-	-
Cash Equivalents:							
Money market accounts with financial institutions:							
Bank of the James	N/A	1,578,548	1,578,548	-	1,578,548	-	-
United Bank	N/A	531,172	531,172	-	531,172	-	-
Atlantic Union Bank	N/A	4,556,191	4,556,191	-	4,556,191	-	-
Treasurer of Virginia (Securities Lending)	N/A	18,380,983	18,380,983	-	18,380,983	-	-
Treasurer of Virginia (STIF)	N/A	53,029	53,029	-	53,029	-	-
State Non-Arbitrage Program (SNAP)	AAAm	127,364	127,364	-	127,364	-	-
Total Cash Equivalents		25,227,287	25,227,287	-	25,227,287	-	-
Total Cash and Cash Equivalents		300,105,211	25,227,287	-	300,105,211	-	-
Investments not with the Treasurer of Virginia:							
Certificates of Deposit - United Bank*	N/A	1,376,671	1,376,671	-	1,376,671	-	-
Wells Fargo Advisors Money Market	AAAm	1,433,007	1,433,007	-	1,433,007	-	-
Mutual Funds:							
Wells Fargo Advisors	AAAm	241,722	241,722	-	-	241,722	-
Brokered Certificates of Deposit - Loomis	Various	5,394,798	3,297,362	2,097,436	52,697	-	5,342,101
Total Investments		8,446,198	6,348,762	2,097,436	2,862,375	241,722	5,342,101
Total Cash, Cash Equivalents and Investments at Fair Value*		\$ 308,551,409	\$ 31,576,049	\$ 2,097,436	\$ 302,967,586	\$ 241,722	\$ 5,342,101

*Includes \$797,387 in 2023 that is reported as custodial fund cash, cash equivalents, and investments in the Statement of Fiduciary Net Position.

C. James Madison University Foundation Cash and Investments

The following information is provided with respect to the Foundation's cash, cash equivalents and investments at June 30, 2023. The Foundation considers cash in demand deposit accounts and short-term certificates of deposit to be cash equivalents. The balances in these accounts are subject to electronic transfer for investment purposes and at times exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net position unless the income or loss is restricted by donor or law.

The Investment Committee of the Foundation's Board of Directors establishes the investment policies, objectives, and guidelines. The major portions of the investments are maintained in a portfolio managed by the Foundations' investment advisors. As prescribed by FASB ASC 820, investments are placed into one of three categories based on the inputs used in valuation techniques (see section B, above, for definitions of those categories). As of June 30, 2023 the Foundation held investments totaling \$79,503,280 and \$2,624,771 in categories 1 and 2, respectively. In addition, the Foundation held category 3 privately managed investment pools (PMIPs) totaling \$92,346,188. These PMIPs were measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. Life insurance policies are not categorized as to credit risk. The Foundation's investments by type of security are as follows:

	Fair Value	Cost
Cash and cash equivalents	\$ 28,529,558	\$ 28,424,727
Certificates of deposit	588,086	588,090
US treasury securities and government bonds	3,919,730	4,843,968
Corporate debt securities	2,231,364	1,486,733
Common stocks	7,069,622	6,968,358
Mutual funds	39,396,284	36,881,540
Privately managed investment pools	92,346,188	67,702,286
Cash value of life insurance policies	393,407	104,833
Total	<u>\$ 174,474,239</u>	<u>\$ 147,000,535</u>

D. Securities Lending Transactions

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

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

3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

Student tuition and fees	\$ 3,984,221
Auxiliary enterprises	1,712,281
Federal, state, and non-governmental grants and contracts	6,317,518
Other activities	<u>466,838</u>
Total	12,480,858
Less: allowance for doubtful accounts	<u>1,249,704</u>
Net accounts receivable	<u><u>\$ 11,231,154</u></u>

The Foundation's contributions receivable consisted of the following at June 30, 2023:

Due in less than one year	\$ 3,607,095
Due between one and five years	7,202,291
Due in more than five years	<u>330,452</u>
Total	<u>11,139,838</u>
Less: present value discount (1% - 3%)	364,655
Less: allowance for doubtful accounts	<u>364,615</u>
Net contributions receivable	<u><u>\$ 10,410,568</u></u>

4. DUE FROM THE COMMONWEALTH

Due from the Commonwealth consisted of the following at June 30, 2023:

Treasury programs reimbursement due:	
Equipment Trust Fund	\$ 2,637,451
21st Century	3,900
Appropriations available - Capital Projects	148,543,870
Appropriations available - Financial Aid	<u>19,705</u>
Total	<u><u>\$ 151,204,926</u></u>

5. LEASES & SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

A. Leases

The University maintains contractual agreements with several third-parties that qualify for long-term lease treatment under GASB Statement No. 87. This includes all lease or lease-type agreements that are material in value and with a total life greater than 12 months in duration. For

reporting purposes, the University uses a materiality threshold of \$50,000 for lease activity. Lease lifespan includes renewal periods if the option to renew is reasonably certain to be exercised.

1. University as Lessee (Leases Payable)

Intangible Lease Assets

Contracts under which the University is a lessee include real estate agreements for building square footage and equipment for postal operations. Each in-scope lease results in the recording of a lease liability, valued at the discounted present value of the expected payment streams during the lease term, and an intangible, right-to-use asset valued at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease. See footnote six for details on balances and amortization.

Lease liability

The corresponding lease liability was calculated as the discounted present value of all fixed payment streams for all leases according to their individual lifespans. At June 30, 2023 the University was not aware of any lease commitments not yet commenced within the materiality threshold.

The schedule of future lease payments for building and equipment leases as of June 30, 2023 is as follows:

Year Ending		
June 30,	Principal	Interest
2024	\$ 1,848,748	\$ 158,692
2025	945,823	124,357
2026	852,739	100,548
2027	863,422	77,571
2028	818,962	54,776
2029-2033	822,862	160,773
2034-2038	764,141	53,354
Total	<u>\$ 6,916,697</u>	<u>\$ 730,071</u>

It is noted that of the total liability reflected above, \$115,282 of the 2024 principal portion is due to the JMU Foundation. One of these leases is subject to 12-month annual renewal which is also prepaid, and the 2024 portion reflected above relates to the cancellation period. Therefore, there is no related interest or long-term component for this lease. The second lease is for a period of three years, and contains a current portion due in 2024 of \$36,595, and non-current portions of \$20,067 and \$2,920 due in 2025 and 2026, respectively.

2. University as Lessor (Leases Receivable)

Contracts under which the University is a lessor include real estate agreements for land and/or building rooftop square footage for small-cell antenna sites, and a contract for third-party operation of the on-campus bookstore. Each in-scope lease results in the recording of a lease receivable, valued at the discounted present value of the expected revenue streams during the lease term, and deferred inflows of resources valued at an amount equal to the initial measurement of the related lease receivable plus any lease payments made prior to the lease term that relate to future periods, less any lease incentives paid by or on behalf of the lessee. The deferred inflows are amortized on a straight-line basis over the life of the related lease. A summary of the University's lease agreements in-scope under GASB Statement No. 87 is presented as follows:

As of June 24, 2019 the University entered into a 20-year master license agreement with Verizon Wireless, involving the construction of communications antenna sites on University property. Antenna sites have separate supplemental agreements, with initial lives of five years that renew for four additional five-year terms, for an overall life of 25 years per supplement. There are 17 supplements to the lease, covering 19 antenna sites. The antennas and related equipment remain the property of Verizon Wireless, with lease payments made to the University on a monthly basis for the square footage occupied by those antennas and equipment. Construction of the antenna sites occurred during fiscal year 2020, and the first lease payments were made in fiscal year 2021. Under each supplement, the license fees for each antenna site are \$275 per month per small-cell equipment site and/or \$1,850 per month per macro site. The fees increase two percent annually on the commencement date of each supplement. The revenue recognized in relation to these agreements was \$53,196 for 2022 and \$49,836 for 2023. The University has recorded a lease receivable and related deferred inflow of resources for amounts related to all active small cell and macro sites, calculated as the present value of lease payments expected to be received during each supplement term. The deferred inflows are amortized on a straight-line basis over the terms of the related supplements. The balances of the lease receivable and deferred inflow were \$2,048,599 and \$1,890,884, respectively, for 2023 and \$2,085,178 and \$1,977,298 for 2022.

During fiscal year 2022 the University entered into a new contract with its bookstore vendor, Follett, which maintains exclusive rights of use for the main campus bookstore building. The term of the agreement covers 10 years, with two five-year renewal periods. Based on the language in the contract, the non-cancelable period for the contract is 12 months, becoming fully cancellable by either party thereafter, with 60 days notice, without penalty. Periods fully cancellable by either party are not in-scope under GASB Statement No. 87. Therefore, for reporting purposes, the receivable and deferred inflows related to this agreement are assigned the maximum non-cancelable term of 14 months. The contract contains specific fixed inflows to the University during year one, and a lease receivable and related deferred inflow have been recorded for those amounts, which relate to the guaranteed annual minimum commission for year one (\$1.1 million, paid in monthly installments), as well as a one-time strategic alliance partnership payment (\$250,000), and one-time purchase of an athletics suite and tickets (\$6,450). The lease receivable and deferred inflow were calculated as the present value of these payments as they are expected to occur over the 14-month lease term, and the deferred inflow is amortized straight-line over that term. Other expected payments specific to year one but excluded from the lease calculation are scholarship funds totaling \$92,800 which are remitted by Follett directly to the JMU Foundation for distribution to students. There is no revenue impact to the University for these funds. The revenue recognized in relation to this

agreement was \$954,035 for 2023, and \$127,415 for 2022. The lease receivable and related deferred inflow were fully recognized as of June 30, 2023.

3. Financed Purchase

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

The financed purchase's future minimum obligations for fiscal years subsequent to June 30, 2023 are as follows:

	Principal	Interest
2024*	\$ -	\$ -
2025	495,841	306,270
2026	516,280	295,857
2027	537,274	285,016
2028	558,835	273,733
2029-2033	3,138,429	1,183,141
2034-2038	3,770,763	827,743
2039-2043	4,490,838	402,350
2044-2045	1,076,025	24,339
Total	<u>\$ 14,584,285</u>	<u>\$ 3,598,449</u>

**Amount prepaid to the JMU Foundation in 2023 and is recorded as a reduction of the financed purchase liability rather than as a prepayment to the Component Unit.*

B. Subscription-Based Information Technology Arrangements (SBITAs)

The University is a party to certain long-term subscription-based software agreements for services related to IT infrastructure, Library resources, customer-facing applications, and other functions in support of the University's operations that qualify for long-term lease treatment under GASB Statement No. 96. These agreements are recognized as right-to-use assets and related long-term liabilities, when applicable. Initial terms range from 2 to 10 years and may contain renewal options reasonably certain to be exercised.

Certain SBITA contracts can contain provisions for variable payments based upon usage of the underlying assets or additional licenses. The University did not have any such variable payments during fiscal year 2023, nor were there any impairment losses on the University's SBITA portfolio

in fiscal year 2023. SBITAs in progress recognized by the University totaled \$2.5 million for four agreements commencing primarily in fiscal year 2024, with one module scheduled to commence in fiscal year 2025.

The future minimum SBITA obligations for fiscal years subsequent to June 30, 2023 are as follows:

	Principal	Interest
2024	\$ 1,681,425	\$ 213,263
2025	1,261,014	157,883
2026	1,157,749	116,932
2027	876,024	79,053
2028	741,373	50,487
2029-2033	864,841	39,658
Total	<u>\$ 6,582,426</u>	<u>\$ 657,276</u>

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 84,374,481	\$ 1,864,912	\$ -	\$ 86,239,393
Inexhaustible artwork and historical treasures	2,437,348	137,900	-	2,575,248
Construction-in-progress*	19,520,507	46,948,205	23,936,482	42,532,230
Total non-depreciable capital assets	106,332,336	48,951,017	23,936,482	131,346,871
Depreciable capital assets:				
Buildings	1,517,882,872	14,294,399	13,252,894	1,518,924,377
Buildings - Financed Purchase	16,249,955	-	-	16,249,955
Infrastructure	116,951,905	973,904	-	117,925,809
Computer Software	14,118,244	351,458	-	14,469,702
Equipment	114,008,999	11,782,654	3,380,940	122,410,713
Other Improvements	63,079,478	5,987,612	303,357	68,763,733
Library materials	65,971,761	3,241,726	3,769,377	65,444,110
Total depreciable capital assets	1,908,263,214	36,631,753	20,706,568	1,924,188,399
Intangible right-to-use assets				
Buildings	11,031,935	293,796	-	11,325,731
Equipment	-	246,124	-	246,124
Subscription-based software*	7,939,205	3,109,620	-	11,048,825
Total intangible right-to-use assets	18,971,140	3,649,540	-	22,620,680
Less accumulated depreciation and amortization:				
Buildings	429,681,599	35,315,652	12,870,508	452,126,743
Buildings - Financed Purchase	770,487	325,987	-	1,096,474
Infrastructure	64,112,462	4,492,078	-	68,604,540
Computer Software	12,714,968	496,169	-	13,211,137
Equipment	70,781,007	7,178,733	3,176,468	74,783,272
Other Improvements	32,916,688	3,106,335	192,657	35,830,366
Library materials	57,703,778	2,809,823	3,769,377	56,744,224
Total accumulated depreciation	668,680,989	53,724,777	20,009,010	702,396,756
Intangible right-to-use assets				
Buildings	3,297,681	1,548,203	-	4,845,884
Equipment	-	49,225	-	49,225
Subscription-based software*	267,676	1,686,839	-	1,954,515
Total accumulated amortization	3,565,357	3,284,267	-	6,849,624
Depreciable capital assets, net	1,239,582,225	(17,093,024)	697,558	1,221,791,643
Intangible right-to-use assets, net*	15,405,783	365,273	-	15,771,056
Total capital assets, net*	\$ 1,361,320,344	\$ 32,223,266	\$ 24,634,040	\$ 1,368,909,570

*as restated

The Foundation's net capital assets consist of \$3,038,010 in property and equipment, and \$326,871 in collections of historical artifacts for the year ending June 30, 2023.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employee salaries, wages, and fringe benefits payable	\$ 39,467,357
Vendors and suppliers accounts payable	7,527,336
Employee benefit withholdings and WTA (primarily VRS)	1,479,450
Capital projects accounts and retainage payable	6,046,475
Accrued interest payable on bond debt	3,442,451
Total accounts payable and accrued expenses	<u>\$ 57,963,069</u>

8. LONG-TERM LIABILITIES

The University's long-term liabilities consist of debt (further described in Note 9), accrued supplemental retirement incentive plan (further described in Note 11), leases and SBITAs (further described in footnote 5) and other liabilities. A summary of changes in long-term liabilities for the year ending June 30, 2023 is presented as follows:

	Beginning Balance**	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Long-term debt:						
Revenue bonds	\$ 266,690,000	-	\$ 14,575,000	252,115,000	\$ 16,390,000	\$ 235,725,000
General obligation bonds	135,007,361	-	9,694,929	125,312,432	10,142,501	115,169,931
Bond premium	24,588,172	-	2,869,999	21,718,173	2,722,058	18,996,115
Total long-term debt	426,285,533	-	27,139,928	399,145,605	29,254,559	369,891,046
Accrued supplemental retirement incentive plan	15,171,861	2,278,918	4,253,715	13,197,064	4,081,471	9,115,593
Accrued compensated absences	8,031,930	8,602,884	8,163,070	8,471,744	6,737,820	1,733,924
Leases payable*	7,948,037	539,918	1,571,258	6,916,697	1,848,747	5,067,950
SBITAs Payable	6,347,476	2,073,502	1,838,552	6,582,426	1,681,425	4,901,001
Financed purchase obligation to component unit	14,149,931	434,354	-	14,584,285	-	14,584,285
Cares Act FICA deferral	4,709,310	-	4,709,310	-	-	-
Federal loan program contributions	804,933	5,051	204,680	605,304	-	605,304
Total long-term liabilities	\$ 483,449,011	\$ 13,934,627	\$ 47,880,513	\$ 449,503,125	\$ 43,604,022	\$ 405,899,103

**It is noted that \$115,282 of the current portion of leases payable as well as \$22,987 of the non-current portion is due to the University's component unit.*

***as restated*

9. LONG-TERM DEBT

A. Bonds Payable

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

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

Description	Interest Rates (%)	Fiscal Year Maturity	2023
Revenue bonds:			
Multipurpose Recreation Fields, Series 2015B	3.00 – 5.00	2029	2,765,000
Multipurpose Recreation Fields, Series 2021B	1.33	2030	385,000
Softball/Baseball Complex, Series 2015B	3.00 – 5.00	2029	2,615,000
Softball/Baseball Complex, Series 2021B	1.33	2030	375,000
Renov/Expand Athletics/Recreation 2016A	3.00 – 5.00	2030	12,690,000
Renov/Expand Athletics/Recreation 2021B	1.53	2031	1,540,000
Renov/Expand Athletics/Recreation 2010A	4.55 – 5.50	2031	4,670,000
Renov/Expand Athletics/Recreation 2021A	3.00	2032	435,000
Renov/Expand Bridgeforth Stadium 2016A	3.00 – 5.00	2030	19,880,000
Renov/Expand Bridgeforth Stadium 2021B	1.53	2031	2,420,000
Grace St. acquisition, Series 2010A	4.55 – 5.50	2031	4,210,000
Grace St. acquisition, Series 2021A	3.00	2032	390,000
RMH property acquisitions, Series 2010A	4.55 – 5.50	2031	3,745,000
RMH property acquisitions, Series 2021A	3.00	2032	350,000
Construct Student Health Ctr, 2021B	.48 - 1.91	2034	7,465,000
Renovate West Wing RMH-Dining, 2021B	.48 - 1.91	2034	3,770,000
Renov/Expand Recreation Center, 2014A	5.00	2025	4,395,000
Renov/Expand Recreation Center, 2021B	.48 - 2.11	2036	37,855,000
Revenue bonds continued			

Parking, Series 2014B	5.00	2024	525,000
Parking, Series 2016A	3.00	2027	1,705,000
Acq of Land, Athletics, Series 2014B	5.00	2024	245,000
Acq of Land, Athletics, Series 2016A	3.00	2027	790,000
Mason Street Parking Deck, Series 2015A	3.00 – 5.00	2036	5,780,000
Mason Street Parking Deck, Series 2021B	2.21	2037	330,000
Property acquisition, Series 2014B	4.00 – 5.00	2026	1,995,000
Property acquisition, Series 2016A	3.00 – 5.00	2028	1,530,000
New Student Housing 2017A	2.125 - 5.00	2038	41,585,000
New Student Housing 2021B	2.40	2039	1,965,000
East Campus Parking Deck, 2018A	4.00 – 5.00	2039	11,880,000
East Campus Parking Deck, 2021B	2.50	2040	480,000
West Campus Parking Deck, 2018A	4.00 – 5.00	2039	5,550,000
West Campus Parking Deck, 2021B	2.50	2040	225,000
New Convocation Center, 2018B	3.54 – 5.00	2049	67,575,000
Total revenue bonds			<u>252,115,000</u>

General obligation bonds:

Dormitory and dining hall:

Series 2010A	3.60 – 4.40	2030	6,150,000
Series 2013B	4.00	2026	4,156,685
Series 2014A	3.00 – 5.00	2034	30,495,000
Series 2015B	5.00	2028	9,540,747
Series 2016A	3.00 – 5.00	2036	40,585,000
Series 2018A	3.00 – 5.00	2038	34,385,000
Total general obligation bonds			<u>125,312,432</u>

Total bonds payable	<u>\$ 377,427,432</u>
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Long-term debt as of June 30, 2023 matures as follows:

	Principal	Interest
2024	\$ 26,532,501	\$ 13,602,436
2025	27,650,155	12,442,865
2026	28,648,348	11,366,542
2027	29,271,200	10,277,971
2028	27,905,228	9,139,486
2029-2033	120,385,000	31,376,352
2034-2038	74,845,000	14,945,225
2039-2043	19,150,000	7,006,917
2044-2048	18,755,000	3,149,888
2049-2053	4,285,000	96,413
Total	<u>\$ 377,427,432</u>	<u>\$ 113,404,095</u>

B. Foundation

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

- \$887,777 outstanding at June 30, 2023, in notes payable at a fixed interest rate of 3.20%, and maturing through fiscal year 2029. The note is secured by real estate consisting of a \$2,363,528 building included in the Foundation's property and equipment
- \$9,624,295 outstanding at June 30, 2023, in notes payable, accruing interest at 3.50%, maturing through fiscal year 2032. The note is secured by a first priority security interest in \$3,000,000 of unrestricted cash or marketable securities/mutual funds margined at 70%, a first priority security interest in a specific deposit account maintained by the lender, and a first priority security interest in the assignment of certain agreements specific to the Shenandoah Valley Conference Center project.
- \$7,900,111 outstanding at June 30, 2023 in a note payable established on July 9, 2019, maturing November 9, 2040. The interest rate is fixed at 3.09% through maturity of the loan in fiscal year 2041. The note is secured by a first priority security interest in investment assets held by the lender valued at \$1,974,185 at June 30, 2023, and real estate for which loan proceeds were used. Unamortized debt issuance costs were \$128,381 as of June 30, 2023.

10. DEBT DEFEASANCE

A. Deferral on Debt Defeasance

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, as amended by GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, for current refundings and advance refundings resulting in defeasance of debt, the difference between the new and old debt (accounting gain or loss) is deferred and amortized as a component of interest expense. During fiscal year ending June 30, 2023 no refundings took place for the University. A summary of

changes in deferred outflows and deferred inflows for the year ending June 30, 2023 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred Outflows	6,163,206	-	942,582	5,220,624
Deferred Inflows	740,354	-	60,344	680,010

B. Long-term Debt Defeasance

In prior years, in accordance with GASB Statement No. 7, *Advance Refundings Resulting in the Defeasance of Debt*, the University excluded from its financial statements the assets in escrow and the Section 9(c) or 9(d) bonds payable that were defeased “in-substance.” In fiscal year 2023, there were \$29,960,000 that were defeased and outstanding as of June 30, 2023.

11. SUPPLEMENTAL RETIREMENT INCENTIVE PLAN

Effective January 1, 1997, the University established a Supplemental Retirement Incentive Plan for tenured faculty members, which provides for payout of 150% of final salary over a five-year period. In fiscal year 2018, the University extended plan eligibility to administrative and professional faculty. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 416 faculty members have elected to enroll in the plan. As of June 30, 2023, 118 participants remain, including 14 new participants who retired under this plan during fiscal year 2023 or who will retire in fiscal year 2024. In order to satisfy IRS requirements, a trust fund has been established as means to make the payments to the plan participants. The University funded \$4,081,471 of the plan obligation in 2023. The plan payment schedule, calculated using the undiscounted total of estimated future benefits at current cost levels, is as follows:

Year Ending June 30,	Supplemental Plan Obligations
2024	4,081,471
2025	3,603,110
2026	2,942,628
2027	1,890,312
2028	679,543
Total	<u>\$ 13,197,064</u>

12. RETIREMENT PLANS

A. Virginia Retirement System (Defined Benefit Retirement Plans)

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment, unless they are eligible and choose to enroll in the optional retirement program described in section B of Note 12. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>About Plan 2 Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <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

		<p>performance of those contributions.</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS Plan 1 members were allowed to make an 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</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><i>Hybrid Opt-In Election</i> 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><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan</p>

election window, they were also eligible to opt into the Hybrid Retirement Plan.		(ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a 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.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior	Service Credit Same as Plan 1.	Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each

<p>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>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</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</p>

<p>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>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>
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<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</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>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</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>VaLORS: The retirement multiplier for VaLORS</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: Not applicable.</p>

	employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.	<i>Defined Contribution Component:</i> Not applicable.
Normal Retirement Age VRS: Age 65. VaLORS: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. VaLORS: Same as Plan 1.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. VaLORS: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest 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.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable.

<p>VaLORS: Age 50 with at least five years of service credit.</p>	<p>VaLORS: Same as Plan 1.</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> 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></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> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</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> 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>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>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement</p>	<p>Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered</p>

<p>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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contribution Component:</i> Not applicable.</p>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of *the Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year ended June 30, 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 \$18,362,919 and \$17,091,265 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from the University to the VaLORS Retirement Plan were \$408,722 and \$352,338 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. The University's portion of these special contributions is reported as "Pension and OPEB-related contribution revenue" in the non-operating section of the Statement of Revenues, Expenses, and Changes in Net Position.

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

At June 30, 2023, the University reported a liability of \$123,912,027 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$3,016,439 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plans for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion of the VRS State Employee Retirement Plan was 2.73% as compared to 2.75% at June 30, 2021. At June 30, 2022, the University's proportion of the VaLORS Retirement Plan was .48% as compared to .46% at June 30, 2021.

For the year ended June 30, 2023, the University recognized pension expense of \$9,287,683 for the VRS State Employee Retirement Plan and \$404,422 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 from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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

	State employee plan		VaLORs plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 18,060,262	\$ -	\$ 247,384
Differences between expected and actual experience	-	8,195,841	34,440	15,790
Changes in proportion and differences between employer contributions and proportionate share of contributions	580,498	1,250,028	69,084	-
Change in assumptions	4,971,485	-	41,156	-
Employer contributions subsequent to the measurement date	18,362,919	-	408,722	-
Total deferred outflows/inflows related to pensions	<u>\$ 23,914,902</u>	<u>\$ 27,506,131</u>	<u>\$ 553,402</u>	<u>\$ 263,174</u>

\$18,771,641 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:

Year Ending June 30,	State employee plan	VaLORs plan
2024	\$ (8,060,240)	\$ 32,049
2025	(9,270,663)	(101,645)
2026	(13,165,797)	(169,868)
2027	8,542,552	120,970
2028	-	-
Total	<u>\$ (21,954,148)</u>	<u>\$ (118,494)</u>

Actuarial Assumptions (State Employee Plan)

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 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-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

Actuarial Assumptions (VaLORS Plan)

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that system'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 plan	VaLORs plan
Total Pension Liability	\$ 27,117,746	\$ 2,474,068
Plan Fiduciary Net Position	22,579,326	1,841,041
Employer' Net Pension Liability (Asset)	<u>\$ 4,538,420</u>	<u>\$ 633,027</u>
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)	Target 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	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

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

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

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

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

The following presents the University's proportionate share of the VRS State Employee Retirement Plan and VaLORS Retirement Plan net pension liabilities using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension 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:

	<u>1.00 % Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00 % Increase (7.75%)</u>
The University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	211,768,929	123,912,027	51,093,834
The University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	4,589,837	3,016,439	1,733,703

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

Included in Accounts Payable and Accrued Expenses at June 30, 2023 are payables of \$1,926,968 and \$26,264 for the outstanding amount of contributions to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, respectively.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff participate in defined contribution plans as authorized by the Code of Virginia, offered by TIAA/CREF Insurance Companies and DCP. These plans are fixed-contribution programs where the retirement benefits received are based upon employer and employee contributions, plus interest and dividends. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4%. Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5% and an employee required contribution rate of 5%.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately \$7,479,454 for the year ended June 30, 2023. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$77,781,547 for fiscal year 2023.

Included in Accounts Payable and Accrued Expenses at June 30, 2023 are payables of \$1,162,177 for the outstanding amount of contributions to the Optional Retirement Plans.

C. Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was approximately \$867,676 for the fiscal year 2023.

13. OTHER POSTEMPLOYMENT BENEFITS

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

Group Life Insurance: Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <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

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

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

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

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

Health Insurance Credit: Plan Description

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

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
<p>Benefit Amounts</p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• <u>Disability Retirement</u> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. <p>For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>

Health Insurance Credit Program Notes:

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

VRS Disability Insurance: Plan Description

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

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).• State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.• Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
<p>Benefit Amounts</p> <p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• 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 to five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

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

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

Line of Duty Act: Plan Description

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

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	
Eligible Employees	The eligible employees of the LODA Program are paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.
Benefit Amounts	<p>LODA provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • Death – The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <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 LODA 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.

Virginia DHRM: Pre-Medicare Retiree Healthcare: Plan Description

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

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

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

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

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were

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

Contributions – VRS:

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

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

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

The total rate information for each program was as follows:

	Required Contribution Rate (based on actuarial valuation as of June 30, 2021)	Allocation	Rate Expectation
Group Life Ins.	1.34% of covered employee compensation	Allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 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.
Health Ins. Credit	1.12% of covered employee compensation	N/A	The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an

	for employees in the program.		additional amount to finance any unfunded accrued liability.
VRS Disability Ins.	0.61% of covered employee compensation	N/A	The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets.
Line of Duty Act	\$681.84 per covered full-time-equivalent employee	N/A	This rate represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Contributions to each program by James Madison University for the years ended June 30, 2023 and June 30, 2022 are as follows:

Program:	June 30, 2023	June 30, 2022
Group Life Ins.	\$ 1,172,101	\$ 1,109,397
Health Ins. Credit	\$ 2,445,313	\$ 2,314,184
VRS Disability Ins.	\$ 747,405	\$ 676,811
Line of Duty Act	\$ 26,592	\$ 32,515

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan, and approximately \$8.5 million to the Health Insurance Credit Plan for state employees. These special payments were authorized by a Budget Amendment included Chapter 1 of the 2022 Appropriation Act. The University's portion of these special contributions is reported as "Pension and OPEB-related contribution revenue" in the non-operating section of the Statement of Revenues, Expenses, and Changes in Net Position.

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

At June 30, 2023, James Madison University reported the following liabilities (assets) for its proportionate share of each program's Net OPEB Liability (Asset) for each of the VRS administered OPEB plans. The Net OPEB Liability (Asset) was measured as of June 30, 2022 and the total OPEB liability (asset) used to calculate the Net OPEB Liability (Asset) was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. At June 30, 2023, James Madison University reported the following liability 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.

Program:	Liability (Asset) at June 30, 2023
Group Life Ins.	\$ 11,477,688
Health Ins. Credit	\$ 22,379,965
VRS Disability Ins.	\$ (7,198,592)
Line of Duty Act	\$ 893,458
DHRM Pre-Medicare Retirees	\$ 13,227,004

The University's proportion of each VRS Net OPEB Liability (Asset) was based on the University's actuarially determined employer contributions (pay-as-you-go, for LODA) to each program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions (pay-as-you-go, for LODA) for all participating employers.

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

At June 30, 2022 and 2021, respectively, James Madison University's proportions were:

Program:	June 30, 2022	June 30, 2021
Group Life Ins.	0.95322%	0.96724%
Health Ins. Credit	2.73202%	2.76635%
VRS Disability Ins.	2.43894%	2.43057%
Line of Duty Act	0.23608%	0.25009%
DHRM Pre-Medicare Retirees	3.63963%	3.62232%

For the year ended June 30, 2023, James Madison University recognized OPEB expenses as shown in the following table. Since there was a change in proportionate share between measurement dates, a portion of each OPEB expense was related to deferred amounts from changes in proportion.

Program:	June 30, 2023
Group Life Ins.	\$ 404,348
Health Ins. Credit	\$ 1,909,168
VRS Disability Ins.	\$ 2,860
Line of Duty Act	\$ 145,532
DHRM Pre-Medicare Retirees	\$ (6,847,432)
Total OPEB Expense:	\$ (4,385,524)

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

Group Life Ins.		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 908,888	\$ 460,457
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 717,187
	Change in assumptions	\$ 428,099	\$ 1,117,972
	Changes in proportionate share	\$ 184,541	\$ 357,789
	Employer contributions subsequent to the measurement date	\$ 1,172,101	\$ -
	Total	\$ 2,693,629	\$ 2,653,405

Health Ins. Credit		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 3,833	\$ 1,352,594
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 12,142
	Change in assumptions	\$ 748,699	\$ 11,297
	Change in proportionate share and differences between actual and expected contributions	\$ 314,151	\$ 558,091
	Employer contributions subsequent to the measurement date	\$ 2,445,313	\$ -
	Total	\$ 3,511,996	\$ 1,934,124

VRS Disability Ins.		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 724,646	\$ 1,071,595
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 397,481
	Change in assumptions	\$ 41,535	\$ 141,420
	Changes in proportionate share	\$ 1,007	\$ 169,108
	Employer contributions subsequent to the measurement date	\$ 747,405	\$ -
	Total	\$ 1,514,593	\$ 1,779,604

Line of Duty Act		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 68,642	\$ 166,985
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 3,821
	Change in assumptions	\$ 249,160	\$ 220,368
	Changes in proportionate share	\$ 245,129	\$ 125,069
	Employer contributions subsequent to the measurement date	\$ 26,592	\$ -
	Total	\$ 589,523	\$ 516,243

DHRM Pre-Medicare Retirees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,040,462
Changes in assumptions	\$ -	\$ 12,243,763
Changes in proportionate share	\$ 1,579,435	\$ 166,023
Sub Total	\$ 1,579,435	\$ 18,450,248
Amounts associated with transactions subsequent to the measurement date	\$ 1,446,272	\$ -
Total	<u>\$ 3,025,707</u>	<u>\$ 18,450,248</u>

Amounts reported as deferred outflows of resources related to each OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the related OPEB Liability (or adjustment to the Net OPEB Asset) in the fiscal year ending June 30, 2024. Those amounts are as follows:

Program:	2023 Contrib. Deferred Outflows
Group Life Ins.	\$ 1,172,101
Health Ins. Credit	\$ 2,445,313
VRS Disability Ins.	\$ 747,405
Line of Duty Act	\$ 26,592
DHRM Pre-Medicare Retirees	\$ 1,446,272
Total:	\$ 5,837,683

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

Year ended June 30	Group Life Ins.	Health Ins. Credit	VRS Disability Ins.	Line of Duty Act	DHRM Pre- Medicare Retirees
FY 2024	\$ (179,563)	\$ (111,005)	\$ (380,474)	\$ 25,375	\$ (7,240,347)
FY 2025	(214,298)	(139,651)	(375,417)	25,457	(4,582,526)
FY 2026	(629,176)	(292,213)	(429,649)	25,543	(2,626,542)
FY 2027	9,395	(171,895)	47,099	28,930	(1,637,086)
FY 2028	(118,235)	(148,327)	14,200	23,920	(784,319)
Thereafter	-	(4,350)	111,826	(82,537)	-

Actuarial Assumptions – VRS:

The total OPEB liabilities (assets) were 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 (not applicable to LODA) –

General state employees (all plans)	3.50% – 5.35%
Teachers (GLI only)	3.50% – 5.95%
SPORS employees (all plans)	3.50% – 4.75%
VaLORS employees (all plans)	3.50% – 4.75%
JRS employees (GLI, HIC only)	4.00%
Locality – General employees (GLI only)	3.50% – 5.35%
Locality – Hazardous Duty employees (GLI only)	3.50% – 4.75%

Medical cost trend rates assumption (LODA only) –

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

Year of ultimate trend rate (LODA only)

Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023

Investment rate of return

6.75% (LODA only: 3.69%*), net of investment expenses, including inflation

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

Mortality rates – Teachers (GLI only)

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 General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year 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
Discount Rate	No change

Mortality rates – SPORS Employees (all VRS OPEB programs)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy (For VSDP and LODA plans). 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 (<i>LODA, N/A</i>)

Mortality rates – VaLORS Employees (all VRS OPEB programs)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy (For VSDP and LODA plans). For future mortality improvements,
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	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 (<i>LODA, N/A</i>)

Mortality rates – JRS Employees (GLI, HIC only)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty

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

Actuarial Assumptions and Methods – DHRM:

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2022 (one year prior to the end of the fiscal year). The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2022 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.54%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.00% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021

	Improvement Scale; 110% of rates for males and females
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The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 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.

Net OPEB Liability (Asset)

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

	Group Life Ins.	Health Ins. Credit	VRS Disability Ins.	Line of Duty Act
Total OPEB Liability	\$ 3,672,085	\$ 1,043,748	\$ 307,764	\$ 385,669
Plan Fiduciary Net Position	\$ 2,467,989	\$ 224,575	\$ 602,916	\$ 7,214
Employer's Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>	<u>\$ 819,173</u>	<u>\$ (295,152)</u>	<u>\$ 378,455</u>

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

67.21% 21.52% 195.90% 1.87%

Each total OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. Each net OPEB liability (asset) is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information. The DHRM Pre-Medicare Retiree's Program is not included in the analysis above, as it does not accumulate assets in a trust and therefore does not report a fiduciary net position.

Long-Term Expected Rate of Return

All VRS Programs Except LODA:

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	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	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

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

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

Line of Duty Act:

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 Fixed Fidelity Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

All VRS Programs Except LODA:

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

Line of Duty Act:

The discount rate used to measure the total LODA OPEB liability was 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 University's Proportionate Share of each OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of each VRS net OPEB liability (asset) using the discount rate of 6.75% (LODA: 3.69%), and the DHRM total OPEB liability at 3.54%, as well as what the University's proportionate share of each OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%, 2.69%, 2.54%) or one percentage point higher (7.75%, 4.69%, 4.54%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 16,701,380	\$ 11,477,688	\$ 7,256,231
Employer's proportionate share of the Health Ins. Credit Program Net OPEB Liability	25,130,772	22,379,965	20,018,302
Employer's proportionate share of the VRS Disability Ins. Program Net OPEB Liability (Asset)	(6,625,656)	(7,198,592)	(7,701,997)

	1.00% Decrease (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
Employer's proportionate share of the Line of Duty Act Program Net OPEB Liability	\$ 1,019,873	\$ 893,458	\$ 790,035

	1.00% Decrease (2.54%)	Current Discount Rate (3.54%)	1.00% Increase (4.54%)
Employer's proportionate share of the Pre-Medicare Retirees Total OPEB Liability	\$ 13,963,048	\$ 13,227,004	\$ 12,506,423

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the LODA			
Net OPEB Liability	\$ 752,932	\$ 893,458	\$ 1,069,838

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

	1.00% Decrease (7.00% decreasing to 3.50%)	Health Care Trend Rates (8.00% decreasing to 4.50%)	1.00% Increase (9.00% decreasing to 5.50%)
Employer's proportionate share of the total DHRM			
Total OPEB Liability	\$ 12,041,667	\$ 13,227,004	\$ 14,591,938

OPEB Programs Fiduciary Net Position - VRS

Detailed information about each VRS 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 OPEB Plans

Included in Accounts Payable and Accrued Expenses at June 30, 2023 are payables related to the outstanding amount of contributions to the VRS OPEBs as follows: Group Life Insurance \$143,997; Health Insurance Credit \$300,501; Sickness and Disability Plan \$76,638. The Line of Duty Act does not have a related payable, as it is a one-time annual payment. Additionally, a payable related to the DHRM Pre-Medicare Retirees Plan cannot be reported separately from the remainder of the health insurance payable, as the applicable individual rate for this OPEB is not readily determinable.

14. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following for the year ended June 30, 2023. The University used auxiliary revenues and cash reserves to pay debt service and capitalized improvements of \$37,306,747 and \$36,849,695. Those amounts are not included in the auxiliary operating expenses below.

Revenues:

Room contracts, net of scholarship allowances of \$4,735,754	\$ 32,792,499
Food service contracts, net of scholarship allowances of \$6,781,699	47,105,631
Comprehensive fee, net of scholarship allowances of \$12,812,273	88,152,858
Food service commissions	17,121,458
Parking fees and fines	5,080,205
Other student fees and sales and services	22,155,248
Total auxiliary enterprises revenues	<u>\$ 212,407,899</u>

Expenses:

Residential facilities	\$ 25,066,540
Dining operations	60,990,667
Athletics	40,362,588
Parking services	4,874,174
Health services	5,539,457
Student unions	7,635,892
Student recreation	8,401,891
Other auxiliary activities	12,115,805
Total auxiliary activities expenses	<u>\$ 164,987,014</u>

15. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses for the year ended June 30, 2023, both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Compensation and Benefits	Services, Supplies and Utilities	Scholarships and Fellowships	Non-capitalized equipment, property and plant improvements	Depreciation and Amortization	Total
Instruction	\$ 171,020,545	\$ 15,011,591	\$ -	\$ 4,200,175	\$ -	\$ 190,232,311
Research	2,079,939	967,417	-	219,352	-	3,266,708
Public service	13,865,025	9,068,847	-	361,116	-	23,294,988
Academic support	33,966,948	5,678,789	-	13,519,373	-	53,165,110
Student services	21,178,601	5,029,250	-	850,563	-	27,058,414
Institutional support	27,112,637	8,280,551	-	2,310,123	-	37,703,311
Operation and maintenance- plant	20,086,889	19,986,807	-	6,064,386	-	46,138,082
Depreciation and Amortization	-	-	-	-	57,009,043	57,009,043
Student aid	-	-	21,386,990	-	-	21,386,990
Auxiliary activities	51,304,101	110,732,887	-	2,950,026	-	164,987,014
Total	\$ 340,614,685	\$ 174,756,139	\$ 21,386,990	\$ 30,475,114	\$ 57,009,043	\$ 624,241,971

16. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations that remain on the last day of the current year, ending June 30, 2023, shall be re-appropriated for expenditure in the first month of the next year, beginning on July 1, 2023, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the re-appropriated balances that relate to unexpended appropriations.

During the year ending June 30, 2023 the following adjustments were made to the University's original appropriations:

Original legislative appropriation:	
Educational and general programs	\$ 130,643,879
Student financial assistance	13,850,346
Mandated carryforward of FY2022 reversion	14,894,388
Tech talent investment program	685,381
Online Virginia Network Authority	650,000
Supplemental adjustments:	
Central Fund appropriation transfers:	
Cost of compensation increases	7,005,334
Changes in contribution rates for retirement and benefits	18,553
Other central fund transfers	33,980
Other financial aid transfers	567,800
Other	50,457
Reversion to the General Fund - planned FY2024 carryforward	(23,215,191)
Adjusted appropriation	<u><u>\$ 145,184,927</u></u>

17. CAPITAL APPROPRIATIONS AND CONTRIBUTIONS

Following are the capital appropriations and contributions recognized by the University from the Commonwealth for the year ending June 30, 2023:

Treasury reimbursement programs:	
VCBA 21st Century	\$ 1,294,748
VCBA Equipment Trust Fund	2,637,451
Capital Project General Fund Appropriations	151,814,414
Total capital appropriations and contributions	<u><u>\$ 155,746,613</u></u>

18. COMMITMENTS

At June 30, 2023, the University was a party to construction and other contracts totaling approximately \$204,039,609 of which \$39,705,013 has been incurred.

In December 2014, the University entered into a Memorandum of Understanding with the City of Harrisonburg, the Industrial Development Authority of the City of Harrisonburg, dpM Partners, LLC (the developer) and the James Madison University Foundation, to address the development, ownership, financing and operation of a 230-room hotel and conference center. As a part of this agreement, the University is leasing land located between Martin Luther King, Jr. Way and East Grace Street to the developer for an annual nominal rent payment for 50 years. The hotel and conference center opened in May 2018. The developer owns and operates the hotel and conference center. 300 of 1,021 spaces in the nearby Mason Street Parking Deck are available for the hotel.

The University is committed under various operating agreements for equipment and space. Those agreements that are long-term in nature and/or greater than \$50,000 in value are classified separately in accordance with GASB Statement No. 87 – *Leases* (See Note 5 for details). Otherwise, leases short-term in nature and/or less significant in value are recorded as outflows of resources in the period to which they pertain. Rental expense related to these types of lease agreements was approximately \$1,683,257 for the year ended June 30, 2023.

19. GRANTS AND CONTRACTS CONTINGENCIES

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

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

20. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

21. FEDERAL DIRECT LENDING PROGRAM

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

These loan programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected on the Statement of Revenues, Expenses and Changes in Net Position. The activity is included in the operating section of the Statement of Cash Flows. For the fiscal year ended June 30, 2023, cash provided and used by the program totaled \$91,535,522.

22. SUBSEQUENT EVENTS

In July 2023, eleven University-owned properties were deeded to the City of Harrisonburg in preparation for a project to re-route the secondary road that provides access to the University's basketball arena, Atlantic Union Bank Center. Title to these properties will revert to the University once road construction is complete, at a date to be determined. The effect of these property transfers will be reflected in the capital assets section of the fiscal year 2024 financial statements.

In March 2024, the University participated in the General Obligation Bond Series 2024A and the General Obligation Bonds Refunding 2024B. The total principal amount of these bonds is \$71.5 million of outstanding debt. Interest payments on the bonds will be made semi-annually, with coupons ranging from 3.00 to 5.00 percent. Principal payments are made annually with the final payment due June 1, 2044. The refunding generated \$1.7 million in net present value savings.

Subsequent events for the JMU Foundation have been evaluated through October 13, 2023, the date the consolidated financial statements were available to be issued.

Effective October 1, 2023, James Madison University Foundation, Inc. engaged with a third-party firm to serve as its outsourced chief investment officer. Under the new contractual arrangement, the Foundation's Investment Committee will no longer have discretionary authority over investment purchase and sale decisions within the Foundation's long-term investment portfolio, which includes the endowment. Investment assets impacted by this transaction were valued at \$138,350,872 as of June 30, 2023. The transition will result in significant purchase and sale activity for fiscal year 2024 and may result in unfavorable investment returns in the short term. The Foundation's endowment portfolio will continue to follow its spending policy, as outlined in Note 6 of the Foundation's separately published financial statements, and its governing board remains responsible for spending policy decisions.

REQUIRED SUPPLEMENTARY INFORMATION

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

VRS STATE EMPLOYEE RETIREMENT PLAN

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	2.73029%	2.75193%	2.76228%	2.70274%	2.60653%	2.55125%	2.48665%	2.38118%	2.23926%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 123,912,027	\$ 99,818,822	\$ 200,123,255	\$ 170,805,939	\$ 141,108,000	\$ 148,674,000	\$ 163,889,000	\$ 145,789,000	\$ 125,362,000
Employer's Covered Payroll	\$ 118,196,853	\$ 114,276,113	\$ 115,844,068	\$ 112,195,218	\$ 106,622,132	\$ 100,984,332	\$ 96,387,707	\$ 90,050,760	\$ 85,089,890
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	104.84%	87.35%	172.75%	152.24%	132.34%	147.22%	170.03%	161.90%	147.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.26%	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

VALORS RETIREMENT PLAN

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.47651%	0.45703%	0.45034%	0.47326%	0.44065%	0.42201%	0.39940%	0.41071%	0.38856%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,016,439	\$ 2,384,254	\$ 3,521,129	\$ 3,284,586	\$ 2,746,000	\$ 2,769,000	\$ 3,092,000	\$ 2,919,000	\$ 2,620,000
Employer's Covered Payroll	\$ 1,608,849	\$ 1,603,393	\$ 1,665,382	\$ 1,644,314	\$ 1,511,584	\$ 1,408,518	\$ 1,378,784	\$ 1,377,116	\$ 1,333,379
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	187.49%	148.70%	211.43%	199.75%	181.66%	196.59%	224.26%	211.96%	196.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.41%	78.18%	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

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

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

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS

VRS STATE EMPLOYEE RETIREMENT PLAN

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 18,362,919	\$ 17,091,265	\$ 16,524,326	\$ 15,662,118	\$ 14,766,205	\$ 14,037,842	\$ 13,466,814	\$ 13,331,290	\$ 10,894,300
Contributions in relation to the contractually required contribution	18,362,919	17,091,265	16,524,326	15,662,118	14,766,205	14,037,842	13,466,814	13,331,290	10,894,300
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Employer's covered payroll	126,991,141	118,196,853	114,276,113	115,844,068	112,195,218	106,622,132	100,984,332	96,387,707	90,050,760
Contributions as a percentage of covered payroll	14.46%	14.46%	14.46%	13.52%	13.16%	13.17%	13.34%	13.83%	12.10%

VALORS RETIREMENT PLAN

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 408,722	\$ 352,338	\$ 351,143	\$ 359,889	\$ 356,383	\$ 319,712	\$ 296,567	\$ 253,832	\$ 243,989
Contributions in relation to the contractually required contribution	408,722	352,338	351,143	359,889	356,383	319,712	296,567	253,832	243,989
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Employer's covered payroll	1,661,472	1,608,849	1,603,393	1,665,382	1,644,314	1,511,584	1,408,518	1,378,784	1,377,116
Contributions as a percentage of covered payroll	24.60%	21.90%	21.90%	21.61%	21.67%	21.15%	21.06%	18.41%	17.72%

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

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

OTHER POST EMPLOYMENT BENEFITS - VRS GROUP LIFE INSURANCE

	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	0.95322%	0.96724%	0.98637%	0.97557%	0.97157%	0.95484%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	11,477,688	11,261,298	16,460,901	15,875,121	14,755,000	14,370,000
Employer's Covered Payroll	\$ 205,443,889	\$ 198,462,222	\$ 202,999,253	\$ 189,732,328	\$ 179,323,377	\$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.59%	5.67%	8.11%	8.37%	8.23%	8.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

OTHER POST EMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT PLAN

	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	2.73202%	2.76635%	2.81430%	2.79920%	2.73750%	2.71863%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	22,379,965	23,362,950	25,835,445	25,838,610	24,973,000	\$ 24,753,000
Employer's Covered Payroll	\$ 206,623,571	\$ 201,095,268	\$ 202,758,881	\$ 189,732,328	\$ 179,323,377	\$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	10.83%	11.62%	12.74%	13.62%	13.93%	14.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	21.52%	19.75%	12.02%	10.56%	9.51%	8.03%

OTHER POST EMPLOYMENT BENEFITS - VRS SICKNESS AND DISABILITY PLAN

	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	2.43894%	(2.43057%)	(2.43058%)	(2.40915%)	(2.30943%)	(2.27373%)
Employer's Proportionate Share of the Net OPEB Liability (Asset)	(7,198,592)	(8,378,671)	(5,364,006)	(4,726,638)	(5,202,000)	\$ (4,668,000)
Employer's Covered Payroll	\$ 110,952,623	\$ 105,358,852	\$ 105,325,358	\$ 94,202,520	\$ 88,019,605	\$ 82,713,915
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	(6.49%)	(7.95%)	(5.09%)	(5.02%)	(5.91%)	(5.64%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	195.90%	229.01%	181.88%	167.18%	194.74%	186.63%

OTHER POST EMPLOYMENT BENEFITS - VRS LINE OF DUTY ACT

	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	0.23608%	0.25009%	0.27524%	0.16828%	0.16512%	0.15782%

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

Employer's Proportionate Share of the Net OPEB Liability (Asset)	893,458	1,102,875	1,152,748	603,765	518,000	\$ 415,000
Employer's Covered-Employee Payroll	\$ 2,015,823	\$ 1,893,518	\$ 2,009,937	\$ 1,681,778	\$ 1,538,722	\$ 1,600,113
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	44.32%	58.24%	57.35%	35.90%	33.66%	25.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

OTHER POST EMPLOYMENT BENEFITS - DHRM PRE-MEDICARE RETIREES PROGRAM

	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Collective Total OPEB Liability (Asset)	3.63963%	3.62232%	3.64059%	3.57353%	3.46293%	3.41632%
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset)	13,227,004	16,260,296	20,708,551	24,260,004	34,824,640	\$ 44,374,693
Employer's Covered-Employee Payroll	\$ 194,278,820	\$ 187,905,619	\$ 187,408,920	\$ 176,974,664	\$ 169,510,476	\$ 161,869,196
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	6.81%	8.65%	11.05%	13.71%	20.54%	27.41%

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

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

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEBS

VRS OTHER POST EMPLOYMENT BENEFITS:

GROUP LIFE INSURANCE	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,172,101	\$ 1,109,397	\$ 1,071,696	\$ 1,059,821	\$ 1,001,769	\$ 963,513
Contributions in relation to the contractually required contribution	1,172,101	1,109,397	1,071,696	1,059,821	1,001,769	963,513
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	217,055,741	205,443,889	198,462,222	202,999,253	189,732,328	179,323,377
Contributions as a percentage of covered payroll	0.54%	0.54%	0.54%	0.52%	0.53%	0.54%

HEALTH INSURANCE CREDIT	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 2,445,313	\$ 2,314,184	\$ 2,252,267	\$ 2,363,094	\$ 2,232,104	\$ 2,164,740
Contributions in relation to the contractually required contribution	2,445,313	2,314,184	2,252,267	2,363,094	2,232,104	2,164,740
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	218,331,518	206,623,571	201,095,268	202,758,881	189,732,328	179,323,377
Contributions as a percentage of covered payroll	1.12%	1.12%	1.12%	1.17%	1.18%	1.21%

VRS SICKNESS AND DISABILITY PROGRAM	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 747,405	\$ 676,811	\$ 642,689	\$ 652,987	\$ 603,687	\$ 597,171
Contributions in relation to the contractually required contribution	747,405	676,811	642,689	652,987	603,687	597,171
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	122,525,410	110,952,623	105,358,852	105,325,358	94,202,520	88,019,605
Contributions as a percentage of covered payroll	0.61%	0.61%	0.61%	0.62%	0.64%	0.68%

LINE OF DUTY ACT	2023	2022	2021	2020	2019	2018
Contractually required contribution*	\$ 26,592	\$ 32,515	\$ 34,431	\$ 37,406	\$ 22,585	\$ 17,588
Contributions in relation to the contractually required contribution	26,592	32,515	34,431	37,406	22,585	17,588
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered-employee payroll*	2,197,355	2,015,823	1,893,518	2,009,937	1,681,778	1,538,722
Contributions as a percentage of covered-employee payroll	1.21%	1.61%	1.82%	1.86%	1.34%	1.14%

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

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

JAMES MADISON UNIVERSITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

1. PENSION:

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

The actuarial assumptions used in the June 30, 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 for the VRS - State Employee Retirement Plan as a result of the experience study and VRS Board action are as follows:

VRS Changes

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

VaLORS Changes

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

2. OTHER POST-EMPLOYMENT BENEFITS (OPEBS)

VIRGINIA RETIREMENT SYSTEM

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

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

General State Employees (all VRS OPEB programs)

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 (LODA N/A)	No change

Teachers (GLI only)

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
Discount Rate	No change

SPORS Employees (all VRS OPEB programs)

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

VaLORS Employees (all VRS OPEB programs)

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

JRS Employees (GLI and HIC only)

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 only)

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

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

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	Largest 10 employers: Decreased rates Non-Largest 10 employers: 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

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

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

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

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
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Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

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

VIRGINIA DEPARTMENT OF HUMAN RESOURCE MANAGEMENT (DHRM)

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

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

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 19, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
James Madison University

President Jonathan R. Alger
James Madison University

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit and remaining fund information of **James Madison University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 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 other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit and remaining fund information of James Madison 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 Note 1. Those statements were audited by other auditors 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 auditors.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1,5, and 6 of the accompanying financial statements, James Madison University implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, related to accounting and financial reporting for subscription liabilities and right-to-use subscription assets. Our opinion is not modified with respect to this matter.

Other Matter

Report on Summarized Comparative Information

We have previously audited the University's 2022 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated March 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived, except where revised due to the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, as discussed in Note 1.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 13; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Employer's Share of VRS and DHRM Post-Employment Benefit Plans Other than Pensions, the Schedule of Employer Contributions – OPEBS, and the Notes to Required Supplementary Information for Pensions and Other Post-Employment Benefits on pages 100 through 110. 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 April 19, 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

MBR/clj

JAMES MADISON UNIVERSITY

BOARD OF VISITORS

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