

LONGWOOD UNIVERSITY



FINANCIAL STATEMENTS

For Year Ended June 30, 2021

AUDITED

**LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2020 – 2021**

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LONGWOOD UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

INSTITUTIONAL PROFILE

Founded in 1839 as the Farmville Female Seminary Association, Longwood's history has been one of constant growth and evolution. The institution had a series of names over its early history, becoming Longwood College in 1949, turning fully co-ed in 1976, and in 2002, becoming Longwood University. As one of the hundred-oldest colleges and universities in our country, Longwood has its roots in educating teachers, but now offers a comprehensive liberal arts education paired with experiential learning opportunities. As a proud Virginia public institution, Longwood University is committed to providing a quality, affordable education.

Longwood's deep history is closely interwoven with major historical moments of our nation. The Civil War wound down at one end of campus, with one of the last skirmishes of the war occurring at High Bridge, a few miles outside town. On April 7, 1865, General Lee held one of his final war meetings in Farmville, just steps from Longwood's campus. Two days later, when Lee surrendered a few miles west at Appomattox, the war came to an end. Nearly a century later, the modern civil rights movement arguably began also just a few steps from campus, with a student-led strike at Moton High School over conditions at their segregated school. Those students eventually became one of five groups of plaintiffs in the Brown vs. Board of Education lawsuit, and were the only group of protesters led by schoolchildren, rather than parents. Today, Moton is a National Historic Landmark and award-winning museum that works closely with the university. Through coursework and service-learning opportunities, hundreds of Longwood students visit Moton each year.

In 2016 Longwood and the Farmville community made history again when Longwood hosted the nation's 2016 Vice Presidential Debate. The debate garnered estimated 37 million viewers and created the equivalent of over \$83 million in exposure for the University.

Longwood's academic profile and reputation has increased substantially in recent years. Between 2013 and 2021, it ascended from No. 12 to No. 7 in the U.S. News and World Report college rankings among regional public universities in the South, with a high ranking of No. 6 in 2019. Among all universities, public and private, in the Southern regional category, Longwood continued to be ranked No. 16, as in the previous year. Longwood was also one of only five public Virginia institutions named in the magazine's Best Value ranking of regional Southern universities.

Longwood students enjoy dozens of majors across three undergraduate academic colleges and a graduate college, supported by an honors college. Traditions, extra-curricular activities and Division 1 athletics play a powerful role in the primarily residential college experience. Faculty are known for their commitment to personalized teaching, and their ranks include winners of state and national teaching awards. A distinctive core curriculum, called Civitae, serves as Longwood's general education program. Featuring small class sizes and shaped around creative, interdisciplinary subjects, Civitae provides integrated learning experiences that

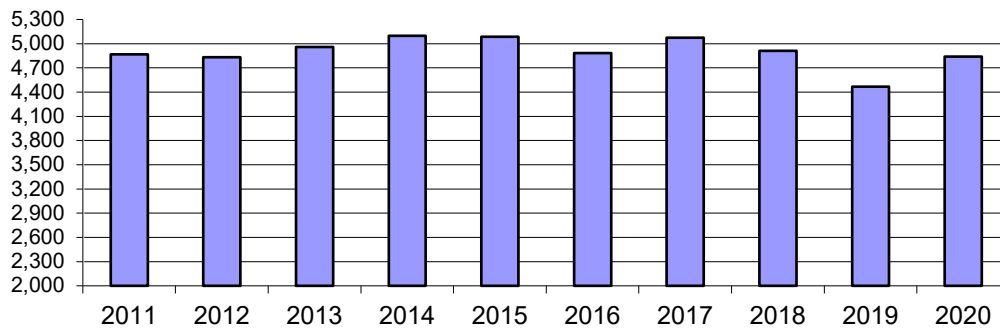
connect general education courses to students' majors and explicitly work to prepare them both for their careers and the responsibilities of citizenship.

Longwood is an agency of the Commonwealth of Virginia and is, therefore, included as a component unit in the State's Annual Comprehensive Financial Report (ACFR). The thirteen members of Longwood's Board of Visitors govern University operations. Members of the Board are appointed by the Governor of Virginia.

ENROLLMENT AND ADMISSIONS

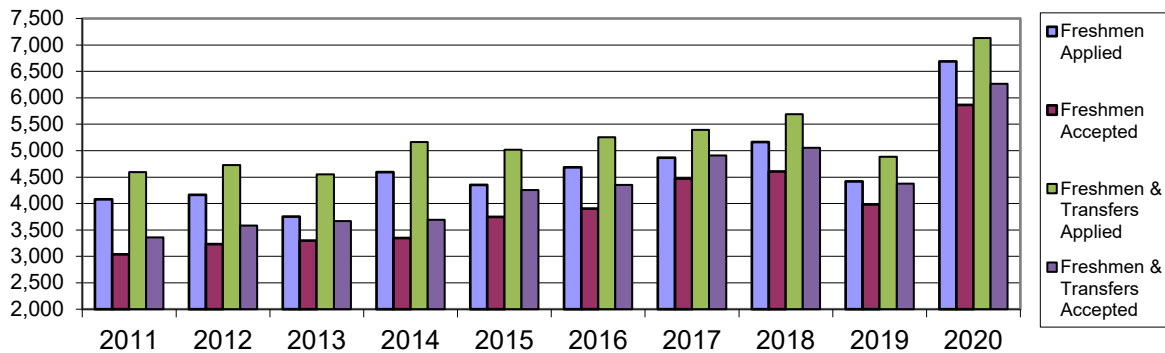
A significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Over the past ten years student headcount has held relatively steady, ranging from 5,096 students in the fall of 2014 to 4,841 students in the fall of 2020. There was an increase of 373 student headcount between fall 2019 and fall 2020 which was due in large to the increased graduate student headcount.

Fall Enrollment Statistics



The fall 2020 entering freshmen class remained academically competitive with a grade-point average of 3.48, an average SAT score of 960 - 1140, and an average ACT score of 17 - 23. Over the past ten years freshman applications have ranged from 3,755 in fall 2013 to a high of 6,689 in fall 2020. Total freshman applications increased from 4,417 in fall 2019 to 6,689 in fall 2020. The increase in applications can be attributed to the University acceptance of the Common Application beginning in the winter of 2019.

Fall Applications



FINANCIAL OVERVIEW

Management’s Discussion and Analysis (MD&A) is a supplement to the University’s financial statement designed to assist readers in understanding the financial information presented. This MD&A provides an analysis of the institution’s financial position and performance during the fiscal year ended June 30, 2021, with comparative information presented for the fiscal year ended June 30, 2020, where applicable. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research and public service. Net position accumulates only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs.

This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the accompanying financial statements and notes that follow. The financial statements, notes and this discussion are the responsibility of management. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB). GASB principles establish standards for external reporting for public colleges and universities. The University’s financial report is comprised of three basic financial statements and related notes. Those statements include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

Note that although the University’s foundations, identified as component units under Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, are reported in the financial statements, they are excluded from this MD&A; however, additional detail regarding their financial activities can be found in the **Notes to Financial Statements**. The University has three foundations whose consolidated financial information is presented in the statements under the column titled “Component Units”. While affiliated foundations are not under the direct control of the University’s Board of Visitors, this presentation provides a more holistic view of resources available to support the University and

its mission. Transactions between the University and these component units have not been eliminated in the financial statements.

Summary of the Change in Net Position				
	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Total operating revenues	\$ 74,747,311	\$ 77,814,030	\$ (3,066,719)	(3.94%)
Total operating expenses	142,427,086	136,334,073 (1)	6,093,013	4.47%
Operating (loss)	(67,679,775)	(58,520,043)	(9,159,732)	(15.65%)
Net nonoperating revenues & expenses	48,177,647	51,957,576	(3,779,929)	(7.28%)
Other revenue	12,099,817	17,457,641	(5,357,824)	(30.69%)
Total increase/(decrease)	\$ (7,402,311)	\$ 10,895,174	\$ (18,297,485)	(167.94%)

Note (1): FY 20 amount was restated to include FY 21 beginning balance adjustments

Evaluation of Summary of the Change in Net Position for Fiscal Years 2020 and 2021

On a summary basis, operating revenues decreased by \$3.1 million or 3.94% from fiscal year 2020 to fiscal year 2021. This decrease was mainly due to a \$6.5 million decrease in auxiliary enterprise revenue, net of scholarship allowance as a result of the continued pandemic, which resulted in a decrease in on campus auxiliary services usage. This decrease was partially offset by a \$1.2 million increase in student tuition and fees, net of scholarship allowance due to increased online enrollment and a \$1.9 million increase in federal grants and contracts due to increased grant activity. Operating expenses increased by \$6.1 million or approximately 4.47% from fiscal year 2020 to fiscal year 2021. \$5.3 million of this increase is due to the increase in the management fee paid to the Longwood University Real Estate Foundation as a result of the 40 year lease agreement entered into at the close of fiscal year 2020. The purpose of the ground lease was to create management efficiencies by having all of the student housing managed under the Longwood University Real Estate Foundation.

Because state appropriations are considered non-operating revenue, the University will consistently experience an operating loss. The increase in the operating loss was due to the decreased operating revenue and increased operating expenses as previously explained. However, the operating loss was offset by \$48.1 million in net non-operating revenues and expenses and \$12.1 million in other revenues. Net non-operating revenues and expenses consisted of \$38.8 million state appropriations, which was an increase of \$1.6 million from fiscal year 2020. \$5.2 million in Pell revenue, which was an increase of \$0.3 million from fiscal year 2020, as well as \$4.9 million in gifts from the Longwood Foundation, the Longwood Real Estate Foundation, and the Longwood Trust. During fiscal year 2021 the University recognized \$0.5 million in Higher Education Emergency Relief Fund (HEERF) revenue which was considered non-operating revenue. These funds were used to reimburse the University for lost revenue due to the change in the mode of instructional delivery and the closure of many of the University auxiliary services due to COVID-19. Other non-operating revenues include \$0.2 million in insurance and investment revenue offset by interest on capital asset related debt of

\$1.4 million. Other revenues consisted of \$12.0 million in capital appropriation for various construction projects on campus which was a \$5.4 million decrease from fiscal year 2020.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows, liabilities, and deferred inflows of the institution. The difference between total assets and deferred outflows, and total liabilities and deferred inflows is net position, which is an indicator of the current financial condition of the University. The purpose of this statement is to present to the financial statement readers a fiscal snapshot as of June 30, 2021. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net position is divided into three major categories. The first category, "Net investment in capital assets," depicts the University's equity in property, plant, and equipment, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The second "Restricted" category is divided into two sub-categories, expendable and nonexpendable. Expendable restricted resources are available for expenditure by the University, but must be spent for purposes as determined by donors and/or other entities that have placed restrictions on the use of the assets. The corpus of nonexpendable restricted resources is available only for investment purposes. The third, "Unrestricted" category represents resources available to the University for any lawful purpose of the institution.

Summary of the Statement of Net Position				
	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Assets				
Current assets	\$23,141,026	\$32,023,051	(\$8,882,025)	(27.74%)
Noncurrent assets:				
Restricted cash and cash equivalents	5,797,167	6,789,359	(992,192)	(14.61%)
Restricted Appropriations Available	11,023	12,105	(1,082)	(8.94%)
Capital assets, net	287,383,447	285,938,717 (1)	1,444,730	0.51%
Other	887,851	1,285,486	(397,635)	(30.93%)
Total noncurrent assets	294,079,488	294,025,667 (1)	53,821	0.02%
Total assets	317,220,514	326,048,718 (1)	(8,828,204)	(2.71%)
Deferred Outflows of Resources				
Deferral on Debt Defeasance - loss	1,411,508	1,633,669	(222,161)	(13.60%)
Deferred outflows of resources	13,033,887	11,657,167	1,376,720	11.81%
Total Deferred Outflows of Resources	14,445,395	13,290,836	1,154,559	8.69%
Liabilities				
Current liabilities	26,676,537	21,966,272	4,710,265	21.44%
Noncurrent liabilities	127,961,005	131,706,976	(3,745,971)	(2.84%)
Total liabilities	154,637,542	153,673,248	964,294	0.63%
Deferred Inflow of Resources				
Deferral on Debt Defeasance - gain	14,450	22,700	(8,250)	(36.34%)
Deferred inflows of resources	8,783,279	10,010,657	(1,227,378)	(12.26%)
Total Deferred Inflows of Resources	8,797,729	10,033,357	(1,235,628)	(12.32%)
Net position				
Net investment in capital assets	238,753,963	235,541,710 (1)	3,212,253	1.36%
Restricted expendable	4,133,279	5,777,164	(1,643,885)	(28.45%)
Unrestricted	(74,656,604)	(65,685,925)	(8,970,679)	(13.66%)
Total net position	\$168,230,638	\$175,632,949 (1)	\$ (7,402,311)	(4.21%)

Note (1): FY 20 amount was restated to include FY 21 beginning balance adjustments.

Evaluation of Statement of Net Position for Fiscal Years 2020 and 2021

The University's current assets decreased by \$8.9 million or 27.74% due mainly to the decreased auxiliary revenue due to the ongoing pandemic which caused a reduction in the use of on campus auxiliary services such as student housing, dining, summer conferences and sport camps.

Primarily, as a result of the accounting for and financial reporting of the University's defined benefit pension plans, and other postemployment benefits, the University recognized \$13.0 million of deferred outflows of resources and \$8.8 million of deferred inflows of resources on the *Statement of Net Position*. The deferred outflows of resources represent, in part, the fiscal year 2021 employer contributions made by the University to the pension plans after the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Note 8, Note 12, Note 17 and Note 18 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes additional information regarding the University's pension obligations and other postemployment benefits, and related deferred outflows and inflows of resources.

The University's current liabilities increased by \$4.7 million or 21.44% between fiscal years 2020 and 2021 mainly due to the \$2.1 million unearned revenue related to HEERF funding that was received in fiscal year 2021 but in accordance with GASB Statement #33 will be recognized as revenue in fiscal year 2022 when eligibility requirements are met. Accounts payable increased \$2.0 million between fiscal year 2020 and 2021 due in part to increased lease payments to the Longwood University Real Estate Foundation which beginning in fiscal year 2021 now covers all student housing used by the University.

The University's noncurrent liabilities decreased \$3.7 million or 2.84% between fiscal year 2020 and 2021 due in part to the liquidation of the Perkins federal loan program and return of the federal contribution of \$1.0 million and \$0.6 million decrease in noncurrent unearned revenue. The noncurrent net pension liability increased \$5.0 million between fiscal years 2020 and 2021. Noncurrent long-term debt decreased \$4.9 million due to the refunding of VCBA bonds and noncurrent optional postemployment benefits decreased \$1.2 million between fiscal years 2020 and 2021. Note 10 of the *Notes to Financial Statements* includes additional information regarding the University's noncurrent liabilities.

The University's net investment in capital assets net position increased by \$3.2 million or 1.36% due to equipment capitalization and construction activity including the improvements to the steam tunnel infrastructure. Restricted expendable net position decreased by \$1.6 million or 28.45% due mainly to the liquidation of the Perkins federal loan program and return of the federal contribution of \$1.0 million. Unrestricted net position decreased by \$9.0 million or 13.66% due mainly to the \$8.9 million decrease in current assets as a result of the ongoing pandemic which caused a reduction in the use of on campus auxiliary services.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) presents the operating results as well as the non-operating revenues and expenses of the University. State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

In general, operating revenues are received for providing goods and services to students and other constituencies of the University. Operating expenses are incurred in the acquisition or production of those goods and services. Non-operating revenues are comprised of items such as investment earnings and state appropriations. They do not require the production of goods or services. For example, the University's state appropriations are non-operating because they are provided by the General Assembly without the Commonwealth directly receiving commensurate goods and services for those revenues.

Summary of the Statement of Revenues, Expenses, and Changes in Net Position				
	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Operating revenues	\$ 74,747,311	\$ 77,814,030	\$ (3,066,719)	(3.94%)
Operating expenses	142,427,086	136,342,952	6,084,134	4.46%
Operating (loss)	(67,679,775)	(58,528,922)	(9,150,853)	(15.63%)
Nonoperating revenues/(expenses)				
State appropriations	38,757,014	37,127,978	1,629,036	4.39%
Pell grant revenue	5,161,759	4,865,109	296,650	6.10%
Gifts	4,984,600	7,678,235	(2,693,635)	-35.08%
Other nonoperating revenues and expenses	(725,726)	2,286,254	(3,011,980)	(131.74%)
Net nonoperating revenues and expenses	48,177,647	51,957,576	(3,779,929)	(7.28%)
Income/(loss) before other revenues and reductions	(19,502,128)	(6,571,346)	(12,930,782)	(196.78%)
Capital appropriations	12,032,012	17,429,071	(5,397,059)	(30.97%)
Capital grants and contributions	67,805	37,449 (1)	30,356	81.06%
Total other revenues	12,099,817	17,466,520	(5,366,703)	(30.73%)
Total increase/(decrease) in net position	(7,402,311)	10,895,174	(18,297,485)	(167.94%)
Net position, beginning of year as restated	175,632,949	164,737,775	10,895,174	6.61%
Net position, end of year	\$168,230,638	\$175,632,949	(\$7,402,311)	(4.21%)

For explanations of the revenue fluctuations, see the “Evaluation of Summary of the Change in Net Position for Fiscal Years 2020 and 2021” previously provided. The revenue and the operating expenditure amounts noted in the above table are broken down further with explanations of the variances between fiscal year 2020 and 2021 in the following tables.

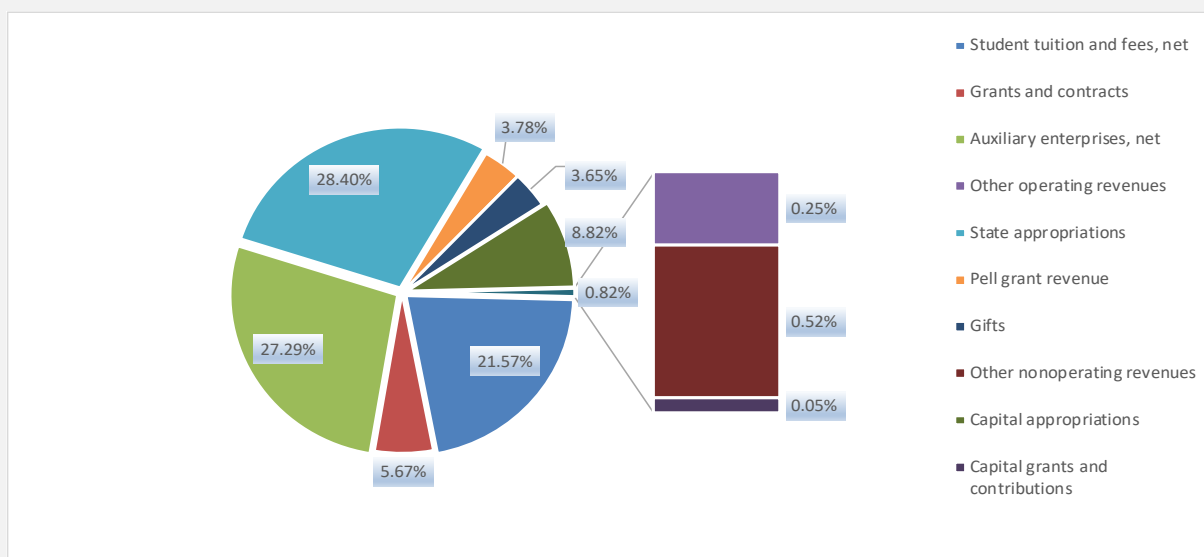
Evaluation of Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Years 2020 and 2021

Summary of Revenues

As noted above in the “Evaluation of the Summary of the Change in Net Position,” operating revenues decreased by \$3.1 million or 3.94% from fiscal year 2020 to fiscal year 2021. This decrease was mainly due to a \$6.5 million decrease in auxiliary enterprise revenue, net of scholarship allowance as a result of the continued pandemic, which resulted in a decrease in on campus auxiliary services usage. This decrease was partially offset by a \$1.2 million increase in student tuition and fees, net of scholarship allowance due to increased online enrollment and a \$1.9 million increase in federal grants and contracts due to increased grant activity

Non-operating revenues consisted of \$38.8 million state appropriations, which was an increase of \$1.6 million from fiscal year 2020; \$5.2 million in Pell revenue, which was an increase of \$0.3 million from fiscal year 2020, as well as \$4.9 million in gifts from the Longwood Foundation, the Longwood Real Estate Foundation, and the Longwood Trust.. During fiscal year 2021 the University recognized \$0.5 million in HEERF funding which is included in other non-operating revenues, this represents a \$2.2 million decrease in non-operating revenue over fiscal year 2020. These funds were used to reimburse the University for lost revenue due to the change in the mode of instructional delivery and the closure of many of the University auxiliary services due to COVID-19. An additional \$2.1 million unearned revenue related to HEERF funding was received in fiscal year 2021 but in accordance with GASB Statement #33 will be recognized as revenue in fiscal year 2022 when eligibility requirements are met. Other non-operating revenues include \$0.2 million in insurance and investment revenue, which represents a \$1.2 million decrease over fiscal year 2020 due mainly to fewer insurance reimbursement claims. Other revenues consisted of \$12.0 million in capital appropriation for various construction projects on campus which was a \$5.4 million decrease from fiscal year 2020.

Summary of Revenues
For the Year Ended June 30, 2021



Summary of Revenues

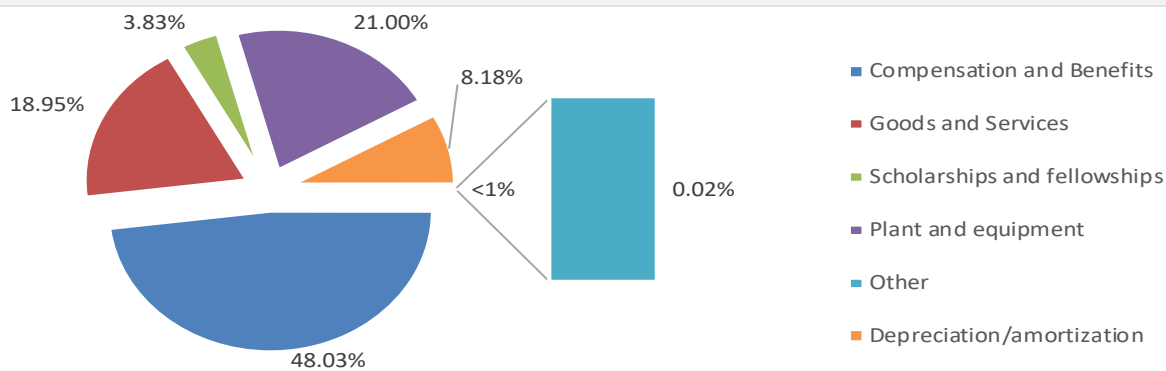
	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Operating revenues:				
Student tuition and fees, net	\$29,440,566	\$28,276,643	\$ 1,163,923	4.12%
Grants and contracts	7,734,376	5,328,259	2,406,117	45.16%
Auxiliary enterprises, net	37,234,691	43,776,536	(6,541,845)	(14.94%)
Other operating revenues	337,678	432,592	(94,914)	(21.94%)
Total operating revenues	74,747,311	77,814,030	(3,066,719)	(3.94%)
Nonoperating revenues:				
State appropriations	38,757,014	37,127,978	1,629,036	4.39%
Pell grant revenue	5,161,759	4,865,109	296,650	6.10%
Gifts	4,984,600	7,678,235	(2,693,635)	-35.08%
Other nonoperating revenues	706,646	4,079,814	(3,373,168)	(82.68%)
Total nonoperating revenues	49,610,019	53,751,136	(4,141,117)	(7.70%)
Other revenues				
Capital appropriations	12,032,012	17,429,071	(5,397,059)	(30.97%)
Capital grants and contributions	67,805	37,449	30,356	81.06%
Total other revenues	12,099,817	17,466,520	(5,366,703)	(30.73%)
Total revenues	\$136,457,147	\$149,031,686	\$ (12,574,539)	(8.44%)

Note (1): FY 20 amount was restated to include FY 21 beginning balance adjustments.

Summary of Operating Expenses

A summary of the University's operating expenses by natural classification for the years ended June 30, 2020 and 2021 is shown below. Overall, total operating expenses increased approximately \$6.1 million or 4.46% in fiscal year 2021 compared to the previous fiscal year. As reflected in the chart below, compensation and benefits decreased \$5.4 million or 7.28%, this was largely due to the temporary pay reductions implemented during fiscal year 2021 in response to the financial strains caused by the pandemic. Goods and services increased slightly by \$0.8 million or 2.92%. As the pandemic continued, the University utilized more online instruction, scaled back many of its auxiliary services, and non-essential travel was eliminated, all of these changes contributed to the slight increase in goods and services expenditures over fiscal year 2020 when similar measures were implemented. There was a slight decrease in scholarship and fellowship expenses of \$0.1 million or 2.01%. The \$10.1 million or 50.60% increase in plant and equipment was due to a restructuring of the housing lease payment schedule at the close of fiscal year 2020 which increased the payments in fiscal year 2021 by \$4.0 million in response to the pandemic impact on auxiliary services; and a \$5.3 million increase in the management fee paid to the Longwood University Real Estate Foundation as a result of the 40 year lease agreement entered into at the close of fiscal year 2020. The purpose of the ground lease was to create management efficiencies by having all of the student housing managed under the Longwood University Real Estate Foundation.

**Summary of Operating Expenses by Natural Classification
For the year ended June 30, 2021**

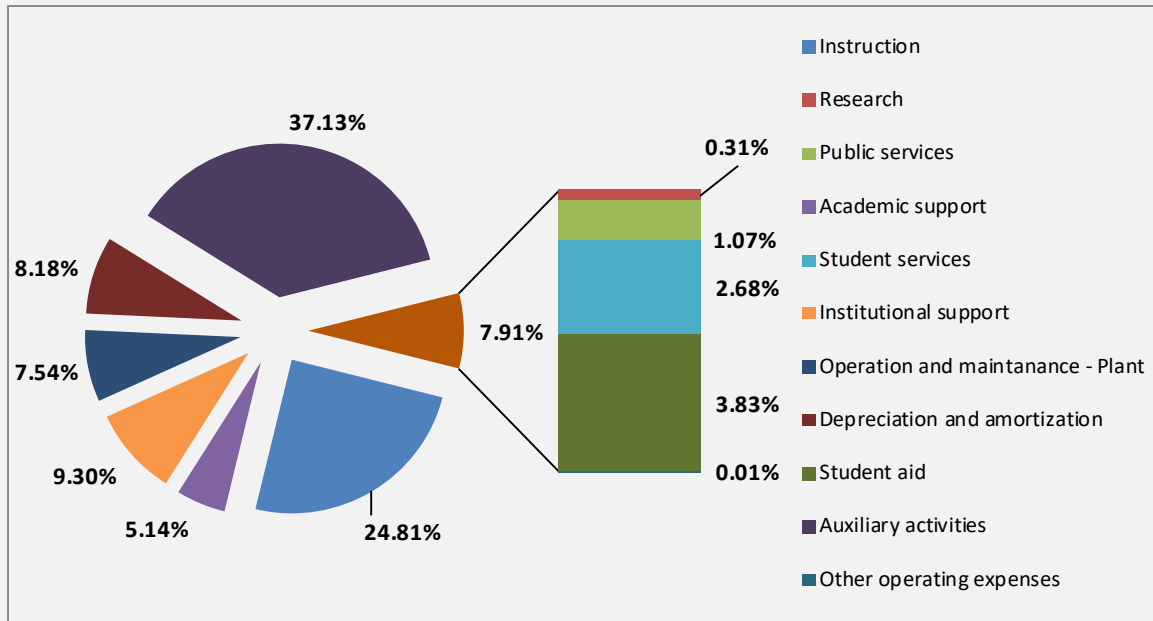


Operating Expenses by Natural Classification

	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Compensation and Benefits	\$ 68,403,648	\$ 73,772,864	\$ (5,369,216)	(7.28%)
Goods and Services	26,984,987	26,219,295	765,692	2.92%
Scholarships and fellowships	5,459,820	5,571,544	(111,724)	(2.01%)
Plant and equipment	29,912,878	19,862,445	10,050,433	50.60%
Other	21,618	113,239	(91,621)	(80.91%)
Depreciation/amortization	11,644,135	10,803,565	840,570	7.78%
Total operating expenses	\$ 142,427,086	\$ 136,342,952	\$ 6,084,134	4.46%

A summary of the University's operating expenses by functional classification for the years ended June 30, 2020 and 2021 is shown below.

**Summary of Operating Expenses by Function
For the year ended June 30, 2021**



Operating Expenses by Function

	For the Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Operating expenses:				
Instruction	\$35,331,656	\$36,877,227	\$ (1,545,571)	(4.19%)
Research	434,916	160,691	274,225	170.65%
Public services	1,529,256	1,462,643	66,613	4.55%
Academic support	7,321,689	7,366,742	(45,053)	(0.61%)
Student services	3,819,760	4,494,429	(674,669)	(15.01%)
Institutional support	13,240,382	10,780,315	2,460,067	22.82%
Operation and maintenance - Plant	10,738,356	8,316,364	2,421,992	29.12%
Depreciation and amortization	11,644,135	10,803,565	840,570	7.78%
Student aid	5,459,820	5,571,544	(111,724)	(2.01%)
Auxiliary activities	52,887,253	50,396,193	2,491,060	4.94%
Other operating expenses	19,863	113,239	(93,376)	(82.46%)
Total operating expenses	\$ 142,427,086	\$ 136,342,952	\$ 6,084,134	4.46%

In addition to the explanations noted above, during fiscal year 2021 the General Assembly included language in the Appropriation Act (§3-4.01 Auxiliary Enterprise Investment Yields) that "Institutions of higher education shall have the authority to reduce the recovery of the full indirect cost of auxiliary enterprise programs to the educational and general program for the 2020-2022 biennium as a result of the significant financial impact on auxiliary enterprise programs caused by the COVID-19 pandemic." Based on this authorization, Longwood University reduced the recovery from auxiliary to educational and general program to zero. The increase in expenses in Institutional Support and Operation and Maintenance – Plant, as the above chart reflects, is the result of the reduced recoveries. In fiscal year 2020, the recoveries reduced Institutional Support expenses by \$3.2 million and Operation and Maintenance – Plant by \$1.6 million, with the offset being an increase in Auxiliary expenses in the amount of \$4.8 million.

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the University's cash activity during the year. The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis and includes non-cash items such as depreciation expense, while the Statement of Cash Flows strictly represents cash inflows and outflows. The Statement of Cash Flows enables readers to assess the ability of the institution to generate future cash flows necessary to meet obligations and to evaluate the need for additional financing.

The Statement of Cash Flows is divided into five sections. The first section, cash flows from operating activities, details the net cash used by operating activities. The second section reflects the cash flows from non-capital financing activities, and includes state appropriations and Pell grant revenues for the University's educational and general programs and financial aid. The third section, cash flows from capital financing activities, details the cash used for the acquisition and construction of capital and related items. The fourth section is cash flows from investing activities which includes interest earned on investments. The last section reconciles the net operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position to the cash used by operating activities.

	Year Ended June 30,		Increase/ (Decrease)
	2021	2020	
Cash Provided (used) by:			
Operating activities	\$ (50,638,656)	\$ (24,725,826)	(\$25,912,830)
Noncapital financing activities	49,412,708	52,383,711	(2,971,003)
Capital financing activities	(7,751,811)	(8,141,206)	389,395
Investing activities	100,883	162,541	(61,658)
Net increase/(decrease) in cash	(8,876,876)	19,679,220	(28,556,096)
Cash - Beginning of year	31,273,874	11,594,654	19,679,220
Cash - End of year	<u>\$22,396,998</u>	<u>\$31,273,874</u>	<u>(\$8,876,876)</u>

Evaluation of Statement of Cash Flows for Fiscal Years 2020 and 2021

The \$25.9 million decrease between fiscal year 2020 and fiscal year 2021 in cash provided by operating activities was mainly due to the prepayment by the Longwood University Real Estate Foundation of the 40-year ground lease for the University owned housing units in fiscal year 2020. This resulted in \$23.0 million being received by the University in fiscal year 2020. Additionally, payments for operation and maintenance of facilities increased \$7.1 million due largely to the increase in housing lease payments as a result of the restructuring of the lease payment schedule at the close of fiscal year 2020 which increased the payments in fiscal year 2021 by \$4.0 million in response to the pandemic impact of auxiliary services.

Changes between fiscal year 2020 and fiscal year 2021 in cash provided by noncapital financing activities decreased by \$2.9 million due to a decrease in gifts from the foundations; changes between fiscal year 2020 and fiscal year 2021 in cash provided by capital financing activities and cash provided by investing activities were minimal.

Capital and Debt Activities

Renewal and replacement of facilities on campus remains an integral part of the University's Strategic Plan. The University continues to implement strategies to support its commitment to creating state-of-the-art learning environments that contribute to the overall development of students. Additional investments are planned to improve student residential lifestyles and the quality of student life.

Note 7 of the **Notes to Financial Statements** describes the University's significant investment in capital assets. From fiscal year 2020 to fiscal year 2021, Buildings increased overall by \$15.1 million, Infrastructure increased overall by \$6.9 million and Construction in Progress decreased a net \$20.2 million overall due primarily to the completed construction activities related to the New Academic Building (Allen Hall) and the steam tunnel infrastructure replacement project.

Note 10 of the **Notes to Financial Statements** notes that Long-term debt decreased from \$53.6 million in 2020, to \$48.8 million in 2021. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 5.91% at the end of fiscal year 2020 and 7.01% at the end of fiscal year 2021. Per Board-approved policy, the University will maintain a debt burden ratio of 9 percent or less.

ECONOMIC OUTLOOK

Longwood University is a model for liberal arts education in a residential learning environment that has thrived since 1839. Despite the challenges and uncertainties facing the nation in 2021, Longwood is in a position of strength. It has been able to withstand the test of time as one of the nation's hundred-oldest institutions of higher learning and the third oldest public higher education institution in Virginia. Longwood is located in a state that continues to grow and prosper, as evidenced by Amazon's decision to locate in Northern Virginia. Additionally, the state of Virginia's economic and political support for higher education in general and Longwood in particular continues to be strong and unwavering. These attributes have helped stabilize enrollment, combat the impacts of COVID-19, as well as strengthen Longwood University in general for the future.

Enrollment

The University's overall enrollment trend over the last two decades has been positive, thanks to a rising national reputation and profile, and the strong economic and demographic profile of the Commonwealth of Virginia. The University's new strategic plan that was approved in spring of 2019 focuses on the need to "intensify enthusiasm" around enrollment. Longwood strategically made several changes to better position itself in regards to recruitment and retention including: (i) the adoption of the Common App, (ii) earlier and more transparent communication of merit aid and award packages, (iii) a major initiative to deploy private scholarship dollars more effectively during the admissions cycle to persuade prospective students to enroll, (iv) a cross-divisional effort on campus to develop programs with strong prospects for marketplace interest, and (v) revamped its payment plan program to make paying for college more flexible for families. As a result of these efforts, the fall 2020 recruitment cycle resulted in a record number of freshmen applications totaling 6,689. This led to the total headcount numbers increasing to 4,841 students, which is an increase of 373 students over the fall 2019 headcount. Notably, Longwood's retention rate for first-time, full-time students increased from 74.8% in fall of 2019 to 78.5% in fall 2020.

COVID, however, created unique challenges for recruitment and retention that Longwood has aggressively worked to combat. Preliminary headcount numbers for fall 2021 show that graduate enrollment remains strong and has increased by 225 students, but the undergraduate enrollment has slightly declined. Total headcount numbers include 3,486 undergraduates and 1,126 graduate students. Although this decline is consistent with SCHEV projections for public 4-year institutions, Longwood believes that limited campus visits and other

COVID related factors are the primary reasons for the decrease. However, new targeted marketing efforts and less COVID restrictions provide evidence that the fall 2022 recruitment cycle will be similar to pre-COVID years.

Longwood continues to aggressively pursue innovation in its enrollment strategies. In September 2020, the Board of Visitors reduced its out of state tuition from \$24,620 to \$20,000 to be more in line with other Virginia schools and help increase future enrollment. This change in tuition rates went into effect for the fall of 2021 and is critical to new out of state recruitment strategies.

COVID-19

Throughout fiscal year 2021 Longwood continued to tackle the challenges of COVID head-on. Longwood developed its COVID-19 Campus Preparedness Plan to guide campus operations and the management of a residential campus amidst the COVID-19 pandemic. This plan was reviewed by the State Council of Higher Education during the summer of 2020 and was found to be compliant in containing the required components of the "Higher Education Reopening Guidance". The plan outlined operational standards such as cleaning practices, facility precautions, social distancing measures, as well as quarantine and testing protocols. Using this plan, Longwood was able to keep 78% of its classes with an in person component for both Fall 2020 and Spring 2021.

For the fall of 2021, all students, faculty, and staff were required to be vaccinated which allowed COVID restrictions to be relaxed in areas. Campus resumed its traditional instructional models with few undergraduate courses having an online component. Masks are required in the classroom and public indoor spaces, but outside events and gatherings are taking place. Longwood has kept one residence hall available for student quarantine but the utilization is limited. The small number of faculty, staff, and student employees that are not vaccinated are tested weekly for the virus. While Longwood is embracing the reduced restrictions, it stands poised to pivot once again if health concerns rise.

HEERF funding was a great relief on the fiscal year 2021 budget. In total between fiscal year 2020 and 2021, \$20.2 million of federal and state funding associated with COVID were awarded as of October 2021. Approximately \$8.2 million was awarded to students, approximately \$11.5 million was used as institutional support, and the remaining funds were used to support small business and child care through our outreach arms. Approximately \$16.4 million in COVID related funding was awarded in fiscal year 2021 and approximately \$4.1 million was used in fiscal year 2021 for student aid, to reimburse expenditures and offset loss revenue. The remaining funding is allocated for fiscal year 2022

Overall financial stability

Longwood University is in a strong financial position itself and enjoys the support of the Commonwealth of Virginia. This is evidenced in its state support which saw a state appropriation increase of nearly 4.39% from fiscal year 2020 to fiscal year 2021, which total approximately \$1.6 million. Virginia continues to prosper and Longwood is optimistic the state support will continue. In October of 2021, the Governor announced that general fund revenue increased 18.4% from the previous year and Governor Northam is quoted saying, "Our strategic and proactive decisions are paying off. In this strong economy Virginia will continue making critical investments in our communities, our public schools, and statewide infrastructure to bolster our growing economy. Our fiscal responsibility is paying off for Virginians." Longwood continues to be the beneficiary of state funding for construction. Longwood plans to break ground on a \$20 million Environmental Health and Safety Facilities Annex Building in the spring of 2022 and is in design phases of an \$81 million music education building which is scheduled to be open in 2026. Additionally, the Longwood University Real Estate Foundation broke ground on a \$44 million Joan Perry Brock Convocation Center, which was made possible by a \$15 million gift, the largest gift in the history of Longwood.

Moving forward Longwood University will continue to efficiently manage its resources and develop Citizen Leaders that the Commonwealth of Virginia can be proud of.

FINANCIAL STATEMENTS

Longwood University
STATEMENT OF NET POSITION
As of June 30, 2021

Assets	<u>Longwood University</u>	<u>Component Units</u>
Current assets:		
Cash and cash equivalents (Note 3)	\$ 17,783,381	\$ 32,448,855
Short-term investments	-	16,491,360
Accounts receivable, net of allowance for doubtful accounts of \$320,909 (Note 4)	1,990,296	6,202,192
Notes receivable	-	2,074
Contributions receivable, net (Note 22)	-	608,153
Due from Component Unit (Note 5)	320,675	83,125
Due from the University (Note 22)	-	1,197,904
Due from the Commonwealth (Note 6)	1,712,640	-
Inventory	455,495	-
Prepaid expenses	878,539	175,678
Other Asset	-	575,000
	<hr/>	<hr/>
Total current assets	\$ 23,141,026	\$ 57,784,341
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	5,797,167	308,880
Restricted Appropriations Available/Due From Commonwealth	11,023	-
Restricted Investments	-	108,259,235
Other non-current assets (Note 18)	887,851	22,258,366
Notes receivable	-	547,654
Contributions receivable, net (Note 22)	-	2,575,372
Non-depreciable capital assets, net (Note 7)	9,661,679	28,486,016
Depreciable capital assets, net (Note 7)	277,721,768	162,524,416
Total noncurrent assets	<hr/> 294,079,488 <hr/>	<hr/> 324,959,939 <hr/>
Total assets	<hr/> \$ 317,220,514 <hr/>	<hr/> \$ 382,744,280 <hr/>
Deferred Outflow of Resources		
Deferral on Debt Defeasance - loss (Note 8)	1,411,508	-
Deferred outflows of resources - OPEB and Pension (Notes 8, 17 & 18)	13,033,887	-
Total Deferred Outflows of Resources	<hr/> \$ 14,445,395 <hr/>	<hr/> - <hr/>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (Note 9)	12,632,267	10,331,856
Due to the University	-	177,695
Due to Component Unit	-	83,125
Line of Credit	-	662,307
Unearned revenue (Note 2)	5,110,355	-
Obligations under securities lending (Note 3)	1,183,550	-
Deposits held in custody for others	534,644	12,229
Long-term liabilities - current portion (Note 10)	7,215,721	3,762,682
Total current liabilities	<hr/> 26,676,537 <hr/>	<hr/> 15,029,894 <hr/>
Noncurrent liabilities (Note 10)	127,961,005	281,347,263
Total liabilities	<hr/> \$ 154,637,542 <hr/>	<hr/> \$ 296,377,157 <hr/>
Deferred Inflow of Resources		
Deferral on Debt Defeasance - gain (Note 12)	14,450	-
Deferred inflows of resources - OPEB and Pension (Notes 12, 17 & 18)	8,783,279	-
Total Deferred Inflows of Resources	<hr/> \$ 8,797,729 <hr/>	<hr/> - <hr/>
Net Position		
Net Investment in capital assets	238,753,963	(33,081,816)
Restricted:		
Nonexpendable:		
Permanently restricted	-	59,173,827
Expendable:		
Loans	101,451	-
Temporarily restricted	-	41,643,671
Other	4,031,828	-
Unrestricted	<hr/> (74,656,604) <hr/>	<hr/> 18,631,441 <hr/>
Total net position	<hr/> \$ 168,230,638 <hr/>	<hr/> \$ 86,367,123 <hr/>

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

Longwood University
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Longwood University	Component Units
Operating revenues:		
Student tuition and fees, Net of scholarship allowances of \$8,886,165	\$ 29,440,566	\$ -
Gifts and contributions	-	14,411,490
Federal grants and contracts	3,508,235	-
State grants and contracts	498,980	-
Nongovernmental grants and contracts	3,727,161	-
Auxiliary enterprises, net of scholarship allowances of \$8,569,352	37,234,691	-
Other operating revenues	337,678	22,581,203
Total operating revenues	<u>74,747,311</u>	<u>36,992,693</u>
Operating expenses (Note 16)		
Instruction	35,331,656	-
Research	434,916	-
Public service	1,529,256	-
Academic support	7,321,689	-
Student services	3,819,760	-
Institutional support	13,240,382	8,095,522
Operation and maintenance - Plant	10,738,356	7,006,077
Depreciation	11,274,002	6,218,712
Amortization	370,133	-
Student aid	5,459,820	992,821
Auxiliary activities	52,887,253	-
Administrative and fundraising	-	1,217,020
Other expenditures	19,863	420,838
Total operating expenses	<u>142,427,086</u>	<u>23,950,990</u>
Operating gain (loss)	<u>(67,679,775)</u>	<u>13,041,703</u>
Nonoperating revenues (expenses):		
State appropriations (Note 15)	38,757,014	-
Pell Grant Revenue	5,161,759	-
Grants and Contracts	509,335	-
Insurance Revenue	96,428	-
Investment revenue	100,883	13,053,989
Gifts	4,984,600	-
Interest on Capital Asset-Related Debt	(1,418,747)	(9,772,038)
Other Revenue	-	631,500
Loss on defeasement of debt	-	(5,112,319)
Gain (loss) on disposal/sale of plant assets	(13,625)	37,500
Net nonoperating revenues/(expenses)	<u>48,177,647</u>	<u>(1,161,368)</u>
Income/(Loss) before other revenues, expenses, gains or losses	<u>(19,502,128)</u>	<u>11,880,335</u>
Contributions to permanent endowments	-	1,279,637
Contributions to term endowments	-	624,590
Capital appropriations (Note 6)	12,032,012	-
Capital Grants and Contributions	67,805	-
Other Gifts	-	22,560
Net other revenues	<u>12,099,817</u>	<u>1,926,787</u>
Increase (decrease) in net position	<u>(7,402,311)</u>	<u>13,807,122</u>
Net position - Beginning of year (Note 2) as restated	<u>175,632,949</u>	<u>72,560,001</u>
Net position - End of year	<u>\$ 168,230,638</u>	<u>\$ 86,367,123</u>

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

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

Cash flows from operating activities:	
Student tuition and fees	\$ 29,646,484
Grants and contracts	6,550,459
Auxiliary enterprises	38,671,727
Payments to employees	(67,121,603)
Payments to suppliers and utilities	(26,858,782)
Payments for operation and maintenance of facilities	(27,033,275)
Payments for scholarships and fellowships	(5,459,820)
Collection of loans to students	618,870
Other operating receipts	337,678
Payments for other expenses	(21,618)
Custodial receipts	455,510
Custodial disbursements	(424,286)
PLUS/Direct loan - receipts	30,071,169
PLUS/Direct loan - disbursements	<u>(30,071,169)</u>
Net cash provided (used) by operating activities	<u>(50,638,656)</u>
Cash flows from noncapital financing activities:	
State appropriations	38,757,014
Gifts	4,984,600
Other non-operating revenues	<u>5,671,094</u>
Net cash provided (used) by noncapital financing activities	<u>49,412,708</u>
Cash flows from capital and related financing activities:	
Capital appropriations	12,916,790
Insurance payments	96,428
Acquisition and construction of capital assets	(14,664,321)
Principal paid on capital debt, leases, and installments	(4,852,180)
Interest paid on capital debt, leases, and installments	<u>(1,248,528)</u>
Net cash provided (used) by capital financing activities	<u>(7,751,811)</u>
Cash flows from investing activities:	
Investment/interest revenue	<u>100,883</u>
Net cash provided (used) by investing activities	<u>100,883</u>
Net decrease in cash	(8,876,876)
Cash and cash equivalents - Beginning of the year	<u>31,273,874</u>
Cash and cash equivalents - End of the year	<u>\$ 22,396,998</u>

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

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

RECONCILIATION OF NET OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:

Operating (loss)	\$	(67,679,775)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense		11,644,135
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Receivables, net		(247,592)
Inventory		9,320
Prepaid expenses		(376,719)
Notes receivable, net		618,870
Accounts payable and accrued expenses		3,635,317
Unearned revenue		1,730,838
Custodial funds		31,224
Federal Loan (Perkins) Contributions		(1,024,209)
Deferred outflows of resources from net pension obligation & OPEB		(1,376,720)
Deferred inflows of resources from net pension obligation & OPEB		(1,227,378)
Net pension liability		4,967,977
OPEB liability		(1,208,089)
OPEB asset		(48,214)
Accrued compensated absences		(87,641)
Net cash provided (used) by operating activities	\$	(50,638,656)

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

Gift of capital assets	\$	67,805
Amortization of bond discount	\$	(222,161)
Capitalization of interest revenue and expenses, net	\$	(130,066)
Loss on disposal of capital asset	\$	(13,625)
Retainage payable	\$	540,710

The Treasury Board, on behalf of the University, issued 2021AB Series Revenue Bonds in February 2021 to refund debt issued in prior years. Proceeds of \$3,730,000 were deposited into an irrevocable trust for the defeasance of \$3,495,000 of outstanding revenue bond principal and related accrued interest.

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

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NOTES TO FINANCIAL STATEMENTS

Longwood University
Financial Statement Footnotes
For the Year Ended June 30, 2021

1. REPORTING ENTITY

Longwood University is a state-assisted, coeducational, and comprehensive University offering programs leading to bachelor's and master's degrees. Longwood offers courses both on the main campus and at educational sites in other locations as well as online courses. The University is oriented to liberal arts and to professional and pre-professional programs.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, 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 of Virginia and is included in the general-purpose financial statements of the Commonwealth.

The University has three component units, as defined by Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. These organizations are described in Note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, fiduciary activities are immaterial and thus fiduciary statements are not included. 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.

Cash and Cash Equivalents

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That Use Proprietary Fund Accounting*, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity date of three months or less.

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as modified by GASB Statement 59, and GASB Statement 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.

Prepaid Expenses

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

Inventories

Inventories are reported using the consumption method, and valued using the first-in, first out (FIFO) method. Inventories consist mainly of expendable supplies for operations of auxiliary enterprises and fuel for the physical plant.

Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at acquisition value at date of donation. Library materials are valued at actual cost and average cost at time of purchase or donation. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing \$5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing \$25,000 or more and other intangibles costing \$100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than \$100,000. Normal repairs and maintenance are expensed in the year in which the expense is incurred.

Construction period interest cost in excess of earnings associated with related debt proceeds is capitalized as a component of the final asset. The University incurred and capitalized net interest expense related to the construction of capital assets totaling \$130,066 for the fiscal year.

Depreciation and amortization are computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is 5 to 50 years for buildings and fixtures and 3 to 20 years for equipment. The estimated useful life of Library materials is 10 years. The general range of estimated useful lives for infrastructure is 5 to 30 years. The estimated useful life of software is 5 years; all other intangibles vary based on type and expected useful life.

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.

Deferred Outflows and Inflows

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

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

Pensions

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

Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The University is required under this guidance to include *Management's Discussion and Analysis*, and basic financial statements, including notes, in its financial statement presentation.

Recently Adopted and Future Accounting Pronouncements

The following GASB statements are effective for fiscal year 2021 and thereafter:

- GASB 93 – *Replacement of Interbank Offered Rates*, excluding paragraphs 11b, 13, 14, and
- GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32, only a portion of paragraphs 4 and 5, and revisions to Implementation Guide No. 2019-2, Fiduciary Activities.*

The current year implementations of GASB statements 93 and 97 had no significant effect on the University's financial statements for the current year.

Unearned Revenue

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the period(s) after June 30, 2021. HEERF funding was received in fiscal year 2021, and in accordance with GASB Statement No. 33, will be recognized as revenue in fiscal year 2022 when eligibility requirements are met. At the close of fiscal year 2020, the University received a payment in the amount of \$23,000,000 from the Longwood University Real Estate Foundation for a 40 year lease of all University owned student housing, the unearned balance at June 30, 2021 was \$22,417,123, the amount that will be earned in the next 12 months, \$575,000, is included in the Auxiliary unearned revenue noted below; the remaining \$21,842,123 is recorded as a non-current long term liability and will be recognized as revenue when earned (see Note 10).

	<u>2021</u>
Student tuition and related fees	\$ 2,362,960
Auxiliary enterprise fees	665,229
HEERF funds	<u>2,082,166</u>
Total	<u>\$ 5,110,355</u>

Accrued Compensated Absences

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

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Direct Loans, which includes Stafford Loans, Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS Loans. 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*.

During fiscal year 2021, the Perkins Loan program was liquidated in accordance with the procedures published by the Department of Education.

Net Position

The University's net position is classified as follows:

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- **Restricted net position, expendable** – Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The University's restricted net position is expendable.
- **Restricted net position, nonexpendable** – Nonexpendable restricted net position is comprised of endowment and similar types where donors or other external sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.
- **Unrestricted net position** – Unrestricted net position represents resources derived primarily from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is first to apply the expense toward restricted resources, and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

Income Taxes

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

Revenue and Expense Classifications

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship and allowances are the difference between the actual charge for goods and services provided by the University and the amount that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Noncurrent Liabilities

Noncurrent liabilities include: (1) principal amounts of bonds payable, notes payable, and installment purchase agreements with maturities greater than one year, (2) pension plan liabilities, (3) OPEB liabilities, (4) Unearned Revenue, and (5) estimated amounts for accrued compensated absences and other liabilities that will not be paid or earned within the next fiscal year.

Bond premiums are deferred and amortized over the life of the bond. Bonds payable are reported including unamortized bond premiums. The amortization of bond premiums are reported as debt service expenditures. The debt as shown in the Statement of Net Position is divided between current and non-current liabilities (see Note 10). The Statement of Revenues, Expenses, and Changes in Net Position reflects the interest expense which is recognized as a non-operating expense when paid.

Beginning Balance Adjustment

The University's beginning net position as of July 1, 2020 has been adjusted. The adjustment is due to a correction to prior year historical cost to buildings, equipment and construction in progress. Prior year balances were not restated for the corrections, only the beginning balances for fiscal year 2021 were adjusted. The adjustment is as follows:

Net Position, July 1, 2020	\$ 175,624,070
Construction in progress correction	(247,692)
Land correction	(8,475)
Building correction	(68,934)
Accumulated Depreciation – Building correction	68,934
Equipment correction	(74,534)
Accumulated Depreciation – Equipment correction	64,305
Intangible Assets correction	640,507
Accumulated Depreciation – Intangible correction	(365,232)
Adjusted Net Position, July 1, 2020	<u>\$ 175,632,949</u>

Other Postemployment Benefits

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 Resources Management. After retirement, Longwood 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.

Group Life Insurance - The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB’s fiduciary net 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.

VRS Disability Insurance Program - The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan’s net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's fiduciary net 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.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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. Certain deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*, or covered by depository insurance. Under this Act, banks holding public deposits in excess of amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits. Cash and cash equivalents represent cash with the Treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program[®] (SNAP[®]). This program offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP[®] complies with all standards of GASB Statement 79. SNAP[®] investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows or Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

At June 30, 2021, the carrying amount of cash with the Treasurer of Virginia was \$16,606,991. The carrying amount of cash not held by the Treasurer of Virginia is \$6,553,853. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2021, in the amount of \$6,856,677 adjusted for reconciling items such as: outstanding checks and deposits in transit. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Summary of the University's Cash and Cash Equivalents

	Value	
	As of June 30, 2021	Credit Rating
Cash and cash equivalents	17,783,381	
Restricted cash and cash equivalents	5,797,167	
Total Cash and Cash Equivalents	23,580,548	
Treasurer of Virginia	16,606,991	
Held in custody of others	6,553,853	
SNAP program	419,704	S&P AAAM
Total Cash and Cash Equivalents	23,580,548	

Investments

The majority of University funds is held by the Treasurer of Virginia and, therefore, is not invested by the University. Local funds held by the University are available for investment, per the Board of Visitors approved investment policy. In fiscal year 2021, local funds were not invested. Rather, they were held in a governmental checking account.

Concentration of Credit Risk

Concentration of credit risk requires the disclosures by amount and issuer of any investments in any one issuer that represent 5 percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2021, the University did not have any investments other than money market funds held by the Treasurer of Virginia; therefore, the University does not have a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. Due to the lack of investments outside of those held by the Treasurer of Virginia, this risk does not apply to the University.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not invest in funds outside of investing bond proceeds in the State Non-Arbitrage Program (SNAP). These proceeds held by the Treasurer of Virginia are invested in money market funds and do not need to be categorized as to risk. At June 30, 2021, the carrying amount of the cash equivalents held in the SNAP program was \$419,704 and with the Treasurer of Virginia was \$0.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Longwood University does not have investments in foreign currency.

Securities Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of \$1,183,550 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report (ACFR).

The Commonwealth's policy is to record unrealized gain and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

4. ACCOUNTS AND NOTES RECEIVABLE

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

Student tuition and fees	\$ 1,286,507
Auxiliary enterprises	804,833
Federal, state, and nongovernmental grants and contracts	<u>219,865</u>
Total	<u>\$ 2,311,205</u>
Less: Allowance for doubtful accounts	<u>(320,909)</u>
Net accounts receivable	<u><u>\$ 1,990,296</u></u>

5. DUE FROM FOUNDATION/TRUST

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

Longwood University Real Estate Foundation	<u>\$ 320,675</u>
Total Due from Foundation	<u><u>\$ 320,675</u></u>

6. CAPITAL APPROPRIATIONS, COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2021, funding has been provided to the University from two programs: 21st Century bond program and Equipment Trust Fund program (ETF). Both the 21st Century bond and Equipment Trust Fund programs are managed by the Virginia College Building Authority (VCBA). 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 Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2021, in the “Capital Appropriations” line item for equipment and facilities obtained with funding under these two programs.

Capital Appropriations

VCBA 21st Century Program	\$11,585,939
VCBA ETF Program	<u>446,073</u>
Total Capital Appropriations	<u><u>\$12,032,012</u></u>

The line item, “Due from the Commonwealth,” on the *Statement of Net Position* for the year ended June 30, 2021, represents pending reimbursements from the following program:

21st Century Bonds	<u>\$1,712,640</u>
Total Due from Commonwealth of Virginia	<u><u>\$1,712,640</u></u>

7. CAPITAL ASSETS

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

	Beginning Balance 6/30/2020	Additions	Reductions	Ending Balance 6/30/2021
Non-Depreciable Capital Assets				
Land (1)	\$5,053,344	-	-	\$5,053,344
CIP (2)	24,821,270	12,520,084	(32,733,019)	4,608,335
Total Non-Depreciable Capital Assets	29,874,614	12,520,084	(32,733,019)	9,661,679
Depreciable Capital Assets				
Buildings (3)	326,819,293	23,464,138	-	350,283,431
Equipment (4)	20,940,505	1,284,369	(401,768)	21,823,106
Infrastructure	52,742,773	8,139,725	-	60,882,498
Library Materials	12,880,886	309,545	(160,925)	13,029,506
Intangible Assets (5)	7,876,014	117,648	(59,000)	7,934,662
Total Depreciable Capital Assets, Cost	421,259,471	33,315,425	(621,693)	453,953,203
Accumulated Depreciation				
Buildings (6)	96,301,239	8,334,054	-	104,635,293
Equipment (7)	16,773,035	1,253,067	(388,143)	17,637,959
Infrastructure	34,425,211	1,244,434	-	35,669,645
Library Materials	10,565,502	442,447	(160,925)	10,847,024
Intangible Assets (8)	7,130,381	370,133	(59,000)	7,441,514
Total Accumulated Depreciation	165,195,368	11,644,135	(608,068)	176,231,435
Depreciable Capital Assets, Net	256,064,103	21,671,290	(13,625)	277,721,768
All Capital Assets, Net	\$285,938,717	\$34,191,374	(\$32,746,644)	\$287,383,447

Note (1): Beginning balances have been restated by (\$8,475) for land disposed of in fiscal year 2020. See Note 2.

Note (2): Beginning balances have been restated by (\$247,692) for items moved from CIP. See Note 2.

Note (3): Beginning balances have been restated by (\$68,934) for building correction. See Note 2.

Note (4): Beginning balances have been restated by (\$74,534) as discussed in Note 2.

Note (5): Beginning balances have been restated by \$640,507 as discussed in Note 2.

Note (6): Beginning balances have been restated by (\$68,934) as discussed in Note 2.

Note (7): Beginning balances have been restated by (\$64,305) as discussed in Note 2.

Note (8): Beginning balances have been restated by \$365,232 as discussed in Note 2.

8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources as June 30, 2021, is summarized as follows:

Deferred loss - 9 (c) General Obligation Bonds Refundings	\$573,811
Deferred loss - VCBA Pooled Notes Payable Refundings	837,697
Deferral on Debt Defeasance	1,411,508
Deferred Outflows - Pension Liability	10,303,591
Deferred Outflows - Other Post Employment Benefits	2,730,296
Total deferred outflows of resources:	\$13,033,887

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employee salaries, wages, and fringe benefits payable	\$4,663,537
Vendors and suppliers accounts payable	6,866,507
Retainage payable	540,710
Interest payable	561,513
Total accounts payable and accrued expenses	<u><u>\$12,632,267</u></u>

10. NONCURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 11), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2021, is presented as follows:

Category	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:					
9 (c) General Obligation Bonds	\$ 8,480,296	\$ -	\$ 1,119,218	\$ 7,361,078	\$1,180,347
Unamortized Premium	1,050,778	-	199,350	851,428	195,850
	<u>9,531,074</u>	<u>-</u>	<u>1,318,568</u>	<u>8,212,506</u>	<u>1,376,197</u>
VCBA Pooled Notes	41,270,000	3,730,000	6,620,000	38,380,000	3,325,000
Unamortized Premium	2,747,427	40,209	666,683	2,120,953	534,709
	<u>44,017,427</u>	<u>3,770,209</u>	<u>7,286,683</u>	<u>40,500,953</u>	<u>3,859,709</u>
Installment Purchases	70,186	-	17,138	53,048	17,942
Total Long Term Debt	<u>53,618,687</u>	<u>3,770,209</u>	<u>8,622,389</u>	<u>48,766,507</u>	<u>5,253,848</u>
Accrued Compensated Absences	1,745,090	1,025,251	1,112,892	1,657,449	1,628,357
Federal Loan Program Contribution	1,024,209	-	1,024,209	-	-
Unearned Revenue	22,992,123	-	575,000	22,417,123	575,000 (3)
Net Pension Liability	42,462,869	4,967,977 (1)	-	47,430,846	-
OPEB - HIC	6,401,684	-	237,640 (2)	6,164,044	-
OPEB - GLI	3,925,455	1,984 (1)	-	3,927,439	-
OPEB - LODA	358,463	33,045 (1)	-	391,508	8,143
OPEB - DHRM	6,002,288	-	1,005,478 (2)	4,996,810	325,373
Total OPEB Liability	<u>16,687,890</u>	<u>35,029</u>	<u>1,243,118</u>	<u>15,479,801</u>	<u>333,516</u>
Total Long Term Liabilities	<u><u>\$138,530,868</u></u>	<u><u>\$ 9,798,466</u></u>	<u><u>\$12,577,608</u></u>	<u><u>\$135,751,726</u></u>	<u><u>\$7,790,721</u></u>

Note (1): Additions reflect net increase.

Note (2): Reductions reflects net decrease.

Note (3): The current amount is included in the Unearned Revenue line item on the Statement of Net Position.

11. LONG-TERM INDEBTEDNESS

9(c) General Obligation Bonds Payable

Longwood University bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. The following bonds of the University are Section 9(c) bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. The interest rates listed below are the rates at issuance.

General Obligation bonds payable at June 30, 2021, consist of the following:

Residence Hall:	<u>Interest Rates</u>	<u>Maturity</u>	<u>Amount</u>
2012 A 2 - Housing Facilities Ren. - 2005 Ref Portion	5.00%	2024	\$ 544,804
2013 B 1 - Housing Facilities Ren - 2005A Ref Portion	4.00%	2025	285,300
2013 B 2 - Housing Facilities Ren - 2006B Ref Portion	4.00%	2026	1,577,864
2013 B 3 - Ren Cox Hall - 2007B Ref Portion	4.00%	2025	1,499,885
2015 B 1 Renovate Cox Hall - 2007B Ref Portion	5.00%	2027	790,900
2015 B 2 Renovate Cox Hall - 2008B Ref Portion	5.00%	2028	2,087,325
2019 B 1 Housing Facilities Ren - 2005A Ref Portion	5.00%	2022	235,000
2019 B 1 Ren Housing Facilities - 2006B Ref Portion	5.00%	2022	340,000
	Total bonds payable		<u>\$ 7,361,078</u>

A summary of future principal and interest requirements of long-term debt for General Obligation bonds payable as of June 30, 2021 follows:

Year ending June 30	<u>Principal</u>	<u>Interest</u>
2022	1,180,347	333,140
2023	1,271,204	277,920
2024	1,327,285	221,783
2025	1,378,659	164,104
2026	1,116,293	106,030
2027-2031	1,087,290	71,760
Total	\$ 7,361,078	\$ 1,174,737
Add: Unamortized Premium	851,428	
Total	<u>\$ 8,212,506</u>	

VCBA Pooled Notes Payable

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9 (d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes. The interest rates listed below are the rates at issuance.

The following schedule describes each of the notes outstanding:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Amounts</u>
2012 A - Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating plant II	3.00 – 5.00%	2023	2,780,000
2014 B - Fitness center, Lacrosse/field hockey complex, Soccer fields, Lancer gym, Baseball/softball, Blackwell and Phase II and III Heating Plant	4.00 – 5.00%	2026	4,285,000
2015 A - University Center	3.00 – 5.00%	2046	21,205,000
2015 B - Heating Plant III, Student Union 2009 A	3.00 – 5.00%	2029	1,130,000
2016 A – Refunding of 2006 A and 2007 A - Lacrosse/Field Hockey Complex, Baseball/Softball, Heating Plant Phase II & III, Fitness Center, Blackwell Hall & Bookstore	3.00 – 5.00%	2028	2,490,000
2018 A – Wheeler Mall Replace Steam Dist. System	4.00 – 5.00%	2039	2,760,000
2021 A - Refunding of 2010 B - Parking Garage and Fitness Center	5.00%	2023	775,000
2021 B - Refunding 2012 A - Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating plant II	0.48 - 1.00%	2025	2,955,000
Total notes payable			<u>\$38,380,000</u>

A summary of future principal and interest requirements of VCBA Pooled Notes Payable as of June 30, 2021, follows:

Year ending June 30	<u>Principal</u>	<u>Interest</u>
2022	3,325,000	1,406,138
2023	3,510,000	1,235,650
2024	3,210,000	1,104,525
2025	2,965,000	1,017,197
2026	2,705,000	919,194
2027-2031	6,195,000	3,573,995
2032-2036	5,005,000	2,671,676
2037-2041	5,525,000	1,692,503
2042-2046	5,940,000	613,000
Total	<u>38,380,000</u>	<u>\$14,233,878</u>
Add: Unamortized Premium	<u>2,120,953</u>	
Total	<u>\$40,500,953</u>	

12. DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources at June 30, 2021 are as follows:

Deferral on debt defeasance - gain - bond refunding	\$ 14,450
Deferred Inflows - Pension	1,183,357
Deferred Inflows - Other Postemployment Benefits	7,599,922
Total Deferred Inflows - Pension & OPEB	<u>8,783,279</u>
Total Deferred Inflows	<u>\$ 8,797,729</u>

13. COMMITMENTS

Construction Contracts

As of June 30, 2021, outstanding commitments for capital outlay projects totaled approximately \$1,808,530.56.

Operating Leases

The University is committed under various operating lease agreements primarily for buildings and equipment. Rental expense for the fiscal year ended June 30, 2021, was \$1,208,256. The University has, as of June 30, 2021, the following total future minimum rental payments due under the above leases:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2022	\$1,058,713
2023	742,234
2024	421,836
2025	158,480
2026	6,069
2027 - 2031	30,346
2032 - 2036	30,346
2037 - 2041	30,346
2042 - 2046	24,277
Total	<u>\$2,502,647</u>

Installment Purchase Agreements

The University has entered into an installment purchase contract to finance the acquisition of equipment. The remaining length of the purchase agreement is four years. Payment on this commitment is as follows:

<u>Fiscal Year</u>	<u>Installment Purchase</u>
2022	17,942
2023	18,783
2024	16,323
Total	<u>\$ 53,048</u>

Other Contractual Agreements

The University was committed to pay Longwood University Real Estate Foundation \$24,745,647 pursuant to a support agreement related to all student housing. The University was also contractually committed to payments totaling \$83,834 relative to an energy performance contract. The University has, as of June 30, 2021, the following total future payments due under the above agreements:

<u>Fiscal Year</u>	<u>Contractual Agreements</u>
2022	\$ 22,675,300
2023	2,102,358
2024	16,756
2025	17,276
2026	17,790
Total	<u>\$ 24,829,480</u>

14. LONG-TERM DEBT DEFEASANCE

Certain Higher Education Bonds were defeased by the University in prior years. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. Therefore, the related assets in trust as well as the defeased bonds are excluded from the Statement of Net Position. As of June 30, 2021, \$2.7 million of the defeased bonds are outstanding.

On February 9, 2021, the Commonwealth of Virginia, on behalf of the University, issued \$3,730,000 of Virginia College Building Authority (VCBA) Refunding Notes, Series 2021A and 2021B, with an interest rate of 0.48% to 5.00%. The resulting net loss of \$104,290 will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The notes, issued at a premium of \$48,290, were used to refund the following:

Note Title	Note Amount Refunded	Interest Rate	Accounting Gain / (Loss)	Reduction in Debt Service / Savings	Remaining Years	Economic Gain / (Loss)	Discount Rate
Series 2010B							
Parking Garage (2002A)	\$ 640,000	5%	\$ (3,015)	\$ 24,575	2 yrs	\$ 24,559	0.1480964%
Fitness Ctr (2002A)	145,000	5%	4,954	3,182	2 yrs	3,182	0.1481611%
Series 2012A							
Fitness Ctr (2003A)	320,000	5%	(15,354)	8,520	2 yrs	8,481	0.3333448%
Heating Plant (2004A)	325,000	3-5%	(13,274)	8,590	4 yrs	8,544	0.4137700%
Lac/Field Hockey (2004A)	440,000	3-5%	(17,893)	12,204	4 yrs	12,117	0.4134952%
Soccer Field (2005A)	225,000	3-5%	(8,248)	6,677	4 yrs	6,641	0.4157802%
Lancer Gym/Willet (2005A)	210,000	3-5%	(7,665)	4,791	4 yrs	4,765	0.4165856%
Blackwell (2005A)	230,000	3-5%	(8,458)	7,363	4 yrs	7,323	0.4146332%
Fitness Ctr (2005A)	960,000	3-5%	(35,337)	34,013	4 yrs	33,779	0.4144535%
	<u>\$3,495,000</u>		<u>\$ (104,290)</u>	<u>\$ 109,915</u>		<u>\$ 109,391</u>	

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

15. STATE APPROPRIATIONS

During the year ended June 30, 2021, the following changes were made to the University's original operating appropriation, including supplemental appropriations received in accordance with the Virginia Acts of Assembly, Chapter 552.

Original Appropriation:	
Educational and General Programs	\$31,498,893
Student Financial Assistance	5,929,325
Supplemental Adjustments:	
Central Fund Adjustments	96,903
Tuition Moderation Adjustment	1,500,000
VIVA	5,602
SVRTC	108,905
Tech Talent Investment Program	271,250
Credit card rebates and interest	124,698
Adj. Compensation Chapter 552 Items 477 & 478	(6,513)
Adj. Compensation Chapter 56 Item 477	(384,909)
HEETF Payment	(54,746)
Capital Out-of-State Fee	(106,149)
Reversion	(226,245)
Adjusted Appropriations	<u>\$ 38,757,014</u>

16. EXPENSES BY NATURAL CLASSIFICATIONS

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

	Compensation and Benefits	Goods and Services	Scholarships and Fellowships	Plant and Equipment	Other	Depreciation/ Amortization	Total
Instruction	\$32,801,184	\$ 1,446,715	\$ -	\$ 1,083,757	\$ -	\$ -	\$ 35,331,656
Research	188,684	231,833	-	14,399	-	-	434,916
Public service	1,119,472	380,047	-	29,737	-	-	1,529,256
Academic support	5,780,570	502,757	-	1,038,362	-	-	7,321,689
Student services	3,352,071	300,464	-	167,225	-	-	3,819,760
Student aid	-	-	5,459,820	-	-	-	5,459,820
Institutional Support	10,236,787	2,127,736	-	874,104	1,755	-	13,240,382
Operation & Maintenance of Plant	4,742,000	4,785,433	-	1,210,923	-	-	10,738,356
Depreciation	-	-	-	-	-	11,274,002	11,274,002
Amortization	-	-	-	-	-	370,133	370,133
Auxiliary activities	10,182,880	17,210,002	-	25,494,371	-	-	52,887,253
Other Expenses	-	-	-	-	19,863	-	19,863
Total	\$68,403,648	\$26,984,987	\$5,459,820	\$29,912,878	\$ 21,618	\$11,644,135	\$142,427,086

17. RETIREMENT PLANS

A. Virginia Retirement System (Defined Benefit Retirement Plans)

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</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 performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not</p>
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		eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> 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</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit.</p>

<p>years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</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>
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<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 employees is 2.00%.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>VaLORS: Not applicable</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>VaLORS: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Define Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>VaLORS: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Not Applicable.</p> <p>Defined Contribution Component: 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 increases (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: 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>Exceptions to COLA Effective Dates: 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. 	<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>Eligibility: Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>

<ul style="list-style-type: none"> • 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 multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> 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><u>Defined Contribution Component:</u> Not applicable.</p>

be eligible to purchase periods of leave without pay.		
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Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency’s contractually required employer contribution rate for the fiscal year ended June 30, 2021, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$3,498,100 and \$3,584,000 for the years ended June 30, 2021, and June 30, 2020, respectively. Contributions from the University to the VaLORS Retirement Plan were \$158,500 and \$162,000 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the University reported a liability of \$45,846,909 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$1,583,937 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University’s proportion of the Net Pension Liability was based on the University’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University’s proportion of the VRS State Employee Retirement Plan was 0.63% as compared to 0.65% at June 30, 2019. At June 30, 2020, the University’s proportion of the VaLORS Retirement Plan was 0.20% as compared to 0.22% at June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$6,126,225 for the VRS State Employee Retirement Plan and \$230,131 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2019, and June 30, 2020, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	VRS State Employee Retirement Plan (SERP)		VaLORS	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	520,045	466,537	34,427	-
Net difference between projected and actual	3,566,629	-	93,288	-

earnings on pension plan investments				
Change in assumptions	1,904,542	-	33,634	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	485,686	626,687	8,740	90,133
Employer contributions subsequent to the measurement date	3,498,100	-	158,500	-
Total	\$9,975,002	\$1,093,224	\$328,589	\$90,133

A total of \$3,656,600 (\$3,498,100 for VRS State Employee Retirement Plan (SERP) and \$158,500 for VaLORS) 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	VRS SERP	VaLORS	Total
FY 2022	1,238,709	14,646	1,253,354
FY 2023	1,929,686	5,260	1,934,946
FY 2024	1,070,468	31,046	1,101,514
FY 2025	1,144,815	29,004	1,173,819
FY 2026	-	-	-

Actuarial Assumptions – VRS State Employee Retirement Plan (SERP)

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Actuarial Assumptions – VaLORS

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would

provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Pension Liability

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

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

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

Long-Term Expected Rate of Return

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

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

* Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions.

The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University’s proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	64,975,460	45,846,909	29,763,079

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University’s proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	2,174,170	1,583,937	1,096,441

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, the University had accrued retirement contributions payable to the pension plan of \$159,645 including \$150,892 payable to the VRS State Employee Retirement Plan and \$8,753 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2021, but not yet paid to the plan.

B. Optional Retirement Plans

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

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 these plans were approximately \$1,350,881 for the year ended June 30, 2021. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$17,686,391 for fiscal year 2021.

Included in Accounts Payable and Accrued Expenses at June 30, 2021 are payables of \$81,333 for the outstanding amount of contributions to the Optional Retirement Plans.

C. Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, were approximately \$181,996 for the fiscal year ended June 30, 2021.

18. OTHER POSTEMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System (VRS, or the System) or the Department of Human Resource Management. These programs include the Pre-Medicare Retiree Healthcare program, Virginia Sickness and Disability program, Group Life Insurance program, Retiree Health Insurance Credit program, and Line of Duty Act program. The specific information for each of these Other Postemployment Benefit (OPEB) programs is described below.

Plan Descriptions

Pre-Medicare Retiree Healthcare (PMRH) program – All full-time and part-time permanent salaried University employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS), or the Optional Retirement Plan (ORP) are eligible to participate in the Commonwealth's healthcare program upon employment. Retirees who are not yet eligible for Medicare health benefits may continue to participate in this program by meeting certain eligibility requirements.

Virginia Sickness and Disability (VSDP) program – All full-time and part-time permanent salaried University 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 VSDP upon employment. The VSDP 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.

Group Life Insurance (GLI) program - All full-time, salaried, permanent employees of the University, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI 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 the University directly for the premiums. The University deducts 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 GLI program postemployment benefit.

Retiree Health Insurance Credit (HIC) program – All full-time, salaried permanent employees of the University are automatically covered by the VRS HIC program. 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. Members earn one month of service credit toward the benefit for each month they are employed and for which the University 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.

Line of Duty Act (LODA) program - 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 LODA program. Participating employers made contributions to the program beginning in FY 2012. As required by statute, the VRS is responsible for managing the assets of the program. University contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Plan Provisions

PMRH program

Eligible employees

For a VRS retiree to participate in the Pre-Medicare Retiree Healthcare (PMRH) program, the participant must:

- be a retiring state employee who is eligible for a monthly retirement benefit from the VRS, and
- be receiving (not deferring) the retirement benefit immediately upon retirement*, and
- have his or her last employer before retirement be the Commonwealth of Virginia, and
- be eligible for coverage (even if not enrolled) as an active employee in the State Health Benefits Program until his or her retirement date (not including extended coverage/COBRA, and
- have enrolled no later than 31 days from his or her retirement date.

*For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement was reported in the month immediately prior to the retiree's 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**, for an Optional Retirement Plan (ORP) retiree to participate in the PMRH program, the participant must:

- be a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- have his or her last employer before termination be the Commonwealth of Virginia, and
- be eligible for coverage (even if not enrolled) in the State Employee Health Benefits Program for active employees at the time of termination, and
- meet the age and service requirements for an immediate retirement benefit under the VRS plan that would have been applicable had ORP coverage not been selected, and
- enroll in the State Retiree Health Benefits Program no later than 31 days from the date that coverage (or eligibility for coverage) was lost due to termination of employment.

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

VSDP program *Eligible employees*

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried University 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.
- University faculty members who elect the VRS defined benefit plan. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefits Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- Leave – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- Short-Term Disability – The program provides a short-term disability benefit beginning after a seven calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- Long-Term Disability (LTD) – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- Income Replacement Adjustment – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- 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 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).

For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.

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

For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.

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

GLI program

Eligible employees

The GLI program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk, and 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 GLI program have several components:

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

Reduction in benefit amounts

The benefit amounts provided to members covered under the GLI 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 GLI program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 effective June 30, 2021.

Retiree HIC program

Eligible employees

The HIC program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and Judicial Retirement System (JRS) who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

Benefit amounts

The HIC program provides the following benefits for eligible employees:

- At Retirement – For State employees who retire the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. For State police officers with a non-work-related disability who retire on disability or go on long-term disability under VSDP, the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. For State police officers with a work-related disability, there is no benefit provided under the HIC program if the premiums are being paid under the Virginia Line of Duty Act (LODA). However, they may receive the credit for premiums paid for other qualified health plans.

HIC program notes

The monthly HIC 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 HIC as a retiree.

LODA program

Eligible employees

The eligible employees of the LODA program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit amounts

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals.

Death benefits – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- \$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 benefits – The Line of Duty Act program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

PMRH program

The University 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 University effectively subsidizes the costs of the participating retirees' healthcare through payment of the University'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. PMRH 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 Virginia Department of Human Resource Management. There were approximately 4,400 retirees and 90,000 active employees in the program as of June 30, 2020. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits for this program.

VSDP program

The contribution requirements for the VSDP are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for VSDP for the year ended June 30, 2021, was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the University were \$97,100 and \$108,088 for the years ended June 30, 2021, and June 30, 2020, respectively.

GLI program

The contribution requirements for the GLI program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI program from the University were \$238,300 and \$251,853 for the years ended June 30, 2021, and June 30, 2020, respectively.

Retiree HIC program

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2021, was 1.12% of covered employee compensation for employees in the Retiree HIC program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the Retiree HIC program were \$488,700 and \$566,004 for the years ended June 30, 2021, and June 30, 2020, respectively.

LODA program

The contribution requirements for the LODA program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA program for the year ended June 30, 2021, was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from the University were \$12,900 and \$12,704 for the years ended June 30, 2021, and June 30, 2020, respectively.

OPEB Liabilities, (Assets), OPEB Expense, and OPEB Deferred Inflows/Outflows of Resources

At June 30, 2021, the University reported the following liabilities (assets) for its proportionate share of the OPEB programs. The University's reported liability for PMRH is its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$568.8 million.

PMRH	\$	4,996,810
VSDP	\$	(887,851)
GLI	\$	3,927,439
HIC	\$	6,164,044
LODA	\$	391,508

These VRS liabilities (assets) were measured as of June 30, 2020 and the total OPEB liability used to calculate each net liability (asset) was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University's proportion of the PMRH OPEB liability was based on its healthcare premium contributions, to include the October premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers, as valued and measured as of June 30, 2020. The university's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. For VSDP, GLI, and HIC OPEB programs, the University's proportionate share of each liability (asset) was based on the University's actuarially determined employer contributions to each plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2020, the University's proportion share was:

PMRH	0.88% as compared to 0.88% at June 30, 2019
VSDP	0.40% as compared to 0.43% at June 30, 2019
GLI	0.24% as compared to 0.24% at June 30, 2019
HIC	0.67% as compared to 0.69% at June 30, 2019
LODA	0.09% as compared to 0.10% at June 30, 2019

At June 30, 2021, the University recognized the following OPEB expenses for these OPEB programs:

PMRH	\$	(1,145,408)
VSDP	\$	86,703
GLI	\$	139,256
HIC	\$	512,757
LODA	\$	43,741

Since there was a change in proportionate share between measurement dates, a portion of these OPEB expenses was related to deferred amounts from changes in proportion.

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

Program	Source		Deferred Outflow		Deferred Inflows
PMRH	Differences between expected and actual experience	\$	-	\$	2,544,070
	Change in assumptions		-		4,091,465
	Changes in proportionate share		335,827		71,701
	Amounts associated with transactions subsequent to measurement date		325,373		-
	Total	\$	661,200	\$	6,707,236
VSDP	Differences between expected and actual experience	\$	83,484	\$	184,241
	Net difference between projected and actual earnings on VSDP OPEB program investments		60,402		-
	Change in assumptions		11,835		36,456
	Changes in proportionate share		49,995		21,382
	University contributions subsequent to measurement date		97,100		-
	Total	\$	302,816	\$	242,079
GLI	Differences between expected and actual experience	\$	251,909	\$	35,276
	Net difference between projected and actual earnings on GLI OPEB program investments		117,977		-
	Change in assumptions		196,417		82,007
	Changes in proportionate share		55,241		135,656
	University contributions subsequent to measurement date		238,300		-
	Total	\$	859,844	\$	252,939
HIC	Differences between expected and actual experience	\$	2,566	\$	92,503
	Net difference between projected and actual earnings on HIC OPEB program investments		30,330		-
	Change in assumptions		102,689		29,221
	Changes in proportionate share		61,298		179,200
	University contributions subsequent to measurement date		488,700		-
	Total	\$	685,583	\$	300,924

LODA	Differences between expected and actual experience	\$	41,559	\$	53,375
	Net difference between projected and actual earnings on LODA OPEB program investments		-		557
	Change in assumptions		104,810		24,397
	Changes in proportionate share		61,584		18,415
	University contributions subsequent to measurement date		12,900		-
	Total	\$	220,853	\$	96,744

The following amounts reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June, 30, 2022.

PMRH	\$	325,373
VSDP	\$	97,100
GLI	\$	238,300
HIC	\$	488,700
LODA	\$	12,900

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

Year ended June 30:		PMRH	VSDP	GLI	HIC	LODA
2022	\$	(1,786,433)	(16,751)	48,642	(23,298)	17,071
2023	\$	(1,786,433)	(550)	81,960	(19,551)	17,174
2024	\$	(1,495,412)	665	115,582	(6,796)	17,284
2025	\$	(863,906)	2,121	109,653	(16,912)	17,316
2026	\$	(362,053)	(7,083)	13,842	(37,484)	17,351
Thereafter	\$	(77,173)	(14,765)	(1,074)	-	25,013

Actuarial Assumptions and Methods (PMRH)

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2020. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 6.75 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Measurement Date June 30, 2020 (one year prior to the end of the fiscal year)

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.34 years
Discount Rate	2.21%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 6.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2029
Mortality rates	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year, and females setback 1 year with 1.5% increase compounded from ages 70 to 85
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2020.

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

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

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates. No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax. The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

Actuarial Assumptions (VSDP, GLI, HIC, LODA)

VSDP, GLI, HIC programs

The total OPEB liability for these programs was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent – 5.35 percent
Teachers (GLI only)	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees (GLI and HIC only)	4.5 percent
Locality – General employees (GLI only)	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees (GLI only)	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of OPEB plan investment expenses, including inflation*

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

LODA program

The total OPEB liability for this program was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50 percent
Salary increases, including inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00 percent – 4.75 percent

Ages 65 and older	5.375 percent – 4.75 percent
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21 percent, including inflation*

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

Mortality rates – General State Employees (VSDP, GLI, HIC, LODA)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Teachers (GLI)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – SPORS Employees (VSDP, GLI, HIC, LODA)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – VaLORS Employees (VSDP, GLI, HIC, LODA)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – JRS Employees (GLI, HIC)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers with Public Safety Employees or Hazardous Duty Employees (GLI, LODA)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees or Hazardous Duty Employees (GLI, LODA)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Net OPEB Liability (Asset)

The net OPEB liability/(asset) (NOL/NOA) for the VSDP, GLI, HIC and LODA represents each OPEB program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL/NOA amounts for each OPEB program are as follows (amounts expressed in thousands):

	VSDP	GLI	HIC	LODA
Total OPEB Liability	\$ 269,531	\$ 3,523,937	\$ 1,043,382	\$ 423,147
Plan Fiduciary Net Position	490,220	1,855,102	125,378	4,333
Net OPEB Liability (Asset)	<u>\$ (220,689)</u>	<u>\$ 1,668,835</u>	<u>\$ 918,004</u>	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	181.88%	52.64%	12.02%	1.02%

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

Long-Term Expected Rate of Return

VSDP, GLI, HIC programs

The long-term expected rate of return on the VRS 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 VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

LODA program

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

PMRH program

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2020.

VSDP and HIC programs

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the University for each of these OPEB programs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which were 100% of the actuarially determined contribution rate. From July 1, 2020, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB fiduciary net position for these OPEB programs were projected to be available to make all projected future benefit payments of eligible current and inactive employees. Therefore the long-term

expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability for each of these OPEB programs.

GLI program

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

LODA program

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the University 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 the OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the University’s proportionate share of the OPEB liability/(asset) for PMRH using the discount rate of 2.21%; VSDP, GLI, and HIC using the discount rate of 6.75%; and LODA using the discount rate of 2.21%. As well, the University’s proportionate share of the OPEB liability (asset) is presented as it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

University’s Proportionate Share of OPEB Liability (Asset)

		1.00% Decrease		Current Discount Rate		1.00% Increase
		1.21%		2.21%		3.21%
PMRH	\$	5,258,063	\$	4,996,810	\$	4,732,016
		5.75%		6.75%		7.75%
VSDP	\$	(810,067)	\$	(887,851)	\$	(957,673)
GLI	\$	5,162,921	\$	3,927,439	\$	2,924,113
HIC	\$	6,830,393	\$	6,164,044	\$	5,590,655
		1.21%		2.21%		3.21%
LODA	\$	464,715	\$	391,508	\$	336,327

Sensitivity of the University’s Proportionate Share of the PMRH OPEB and LODA OPEB Liabilities to Changes in the Health Care Trend Rate

Because the Pre-Medicare Retiree Healthcare and Line of Duty Act programs contain 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 OPEB liability for these OPEB programs using health care trend rate of 6.75% decreasing to 4.50% for PMRH and 7.00% decreasing to 4.75% for LODA. As well, the University’s proportionate share of the OPEB liability is presented as it would be if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

		1.00% Decrease		Current Health Care Trend Rate		1.00% Increase
		5.75% decreasing to 3.50%		6.75% decreasing to 4.50%		7.75% decreasing to 5.50%
PMRH	\$	4,479,232	\$	4,996,810	\$	5,603,856
		6.00% decreasing to 3.75%		7.00% decreasing to 4.75%		8.00% decreasing to 5.75%
LODA	\$	323,595	\$	391,508	\$	480,339

Fiduciary Net Position

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

Payables to the VSDP, GLI and HIC OPEB programs

The amount payable outstanding at June 30, 2021 for each of these OPEB programs was as follows:

VSDP	\$	4,712
GLI	\$	11,004
HIC	\$	17,652

19. CONTINGENCIES

Longwood University receives assistance from non-State grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of Longwood University. As of June 30, 2021, Longwood University estimates that no material liabilities will result from such audits.

20. RISK MANAGEMENT

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 of Virginia. The state employee health care and workers' 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 Commonwealth of Virginia's Annual Comprehensive Financial Report.

21. PENDING LITIGATION

The University is a party to various legal actions and other claims in the normal course of business. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

22. COMPONENT UNITS

The University's component units are presented in the aggregate on the face of the financial statements. The University has three component units – Longwood University Foundation (LUF), Longwood University Real Estate Foundation (LUREF), and the Longwood University Trust (Trust). These organizations are separately incorporated entities and other auditors examine the related financial statements. The component unit statements on the following pages, and subsequent notes, comply with the Governmental Accounting Standards Board (GASB) presentation format. The foundations follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format.

Statement of Net Position
Assets

	<u>LUF</u>	<u>LUREF</u>	<u>Trust</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 2,123,177	\$ 23,105,063	\$ 7,220,615	\$ 32,448,855
Short-term investments	-	16,491,360	-	16,491,360
Accounts receivable, net	6,063,741	138,451	-	6,202,192
Notes receivable	-	2,074	-	2,074
Contributions receivable, net	608,153	-	-	608,153
Due from the University	-	1,197,904	-	1,197,904
Due from Component Unit	51,008	32,117	-	83,125
Prepaid expenses	35,141	137,456	3,081	175,678
Other Asset	-	575,000	-	575,000
Total current assets	\$ 8,881,220	\$ 41,679,425	\$ 7,223,696	\$ 57,784,341
Noncurrent assets:				
Restricted cash and cash equivalents	308,880	-	-	308,880
Restricted Investments	84,272,776	23,986,459	-	108,259,235
Other non-current assets	128,743	22,129,623	-	22,258,366
Notes receivable, net	415,000	132,654	-	547,654
Contributions receivable, net	2,575,372	-	-	2,575,372
Non-depreciable capital assets, net	6,598,985	21,887,031	-	28,486,016
Depreciable capital assets, net	109,918	162,411,524	2,974	162,524,416
Total noncurrent assets	94,409,674	230,547,291	2,974	324,959,939
Total assets	\$ 103,290,894	\$ 272,226,716	\$ 7,226,670	\$ 382,744,280
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	448,186	9,872,621	11,049	10,331,856
Due to the University	-	-	177,695	177,695
Due to Component Unit	-	-	83,125	83,125
Line of Credit	-	662,307	-	662,307
Deposits held in custody for others	-	12,229	-	12,229
Long-term liabilities - current portion	59,400	3,703,282	-	3,762,682
Total current liabilities	507,586	14,250,439	271,869	15,029,894
Noncurrent liabilities	1,402,271	279,944,992	-	281,347,263
Total liabilities	\$ 1,909,857	\$ 294,195,431	\$ 271,869	\$ 296,377,157
Net Position				
Net Investment in capital assets	6,708,903	(39,793,693)	2,974	(33,081,816)
Restricted:				
Nonexpendable:				
Permanently restricted	59,173,827	-	-	59,173,827
Expendable:				
Temporarily restricted	30,684,903	10,863,789	94,979	41,643,671
Unrestricted	4,813,404	6,961,189	6,856,848	18,631,441
Total net position	\$ 101,381,037	\$ (21,968,715)	\$ 6,954,801	\$ 86,367,123

Statement of Revenues, Expenses and Changes in Net Position

	LUF	LUREF	Trust	Total
Operating revenues:				
Gifts and contributions	-	7,195,902	7,215,588	14,411,490
Other operating revenues	-	22,328,444	252,759	22,581,203
Total operating revenues	-	29,524,346	7,468,347	36,992,693
Operating expenses				
Institutional support	462,350	3,650,673	3,982,499	8,095,522
Operation and maintenance - Plant	-	7,006,077	-	7,006,077
Depreciation	-	6,217,962	750	6,218,712
Student aid	992,821	-	-	992,821
Administrative and fundraising	765,886	279,567	171,567	1,217,020
Other expenditures	198,938	-	221,900	420,838
Total operating expenses	2,419,995	17,154,279	4,376,716	23,950,990
Operating gain (loss)	(2,419,995)	12,370,067	3,091,631	13,041,703
Nonoperating revenues (expenses):				
Investment revenue (loss)	17,846,177	(4,792,188)	-	13,053,989
Interest on Capital Asset-Related Debt	-	(9,772,038)	-	(9,772,038)
Other Revenue	631,500	-	-	631,500
Loss on defeasement of debt	-	(5,112,319)	-	(5,112,319)
Gain (loss) on disposal/sale of plant assets	37,500	-	-	37,500
Net nonoperating revenues	18,515,177	(19,676,545)	-	(1,161,368)
Income before other revenues, expenses, gains or losses	16,095,182	(7,306,478)	3,091,631	11,880,335
Contributions to permanent endowments	1,279,637	-	-	1,279,637
Contributions to term endowments	624,590	-	-	624,590
Other Gifts	22,560	-	-	22,560
Net other revenues	1,926,787	-	-	1,926,787
Increase (decrease) in net position	18,021,969	(7,306,478)	3,091,631	13,807,122
Net position - Beginning of year	83,359,068	(14,662,237)	3,863,170	72,560,001
Net position - End of year	\$ 101,381,037	\$ (21,968,715)	\$ 6,954,801	\$ 86,367,123

Contributions Receivable

	LUF
<u>Current Receivable</u>	
Receivable due in less than one year	\$ 608,153
Less allowance for doubtful accounts	-
Net current contributions receivable	\$ 608,153
Receivable due in greater than 1 year, net of discount (\$2,207,372)	2,575,372
Less allowance for doubtful accounts	-
Net noncurrent contributions receivable	2,575,372
Total contributions receivable	\$ 3,183,525

Investments

	LUF
Government bonds, corporate obligations, and fixed income securities	\$ 322,297
Corporate stocks and mutual funds	\$ 4,551,258
Limited partnership	\$ 75,807,188
Total Investments	\$ 80,680,743
Investment in LLC (at cost)	1,000,000
Beneficial interest in perpetual trust	2,592,033
Total	\$ 84,272,776

Capital Assets

	<u>LUF</u>	<u>LUREF</u>	<u>Trust</u>	<u>Total</u>
Nondepreciable capital assets:				
Land	\$ 1,286,854	\$ 17,129,279	\$ -	\$ 18,416,133
Construction in progress		4,757,752		4,757,752
Art Collection	4,848,165			4,848,165
Stream and wetland credit	463,966			463,966
	-	-	-	-
Total capital assets not being depreciated	<u>\$ 6,598,985</u>	<u>\$ 21,887,031</u>	<u>\$ -</u>	<u>\$ 28,486,016</u>
Depreciable capital assets:				
Buildings	\$ 85,000	\$ 185,663,581	\$ -	\$ 185,748,581
Equipment	192,709	6,496,250	21,299	6,710,258
Land improvements		13,981,795		13,981,795
	-	-	-	-
Total capital assets being depreciated	<u>\$ 277,709</u>	<u>\$ 206,141,626</u>	<u>\$ 21,299</u>	<u>\$ 206,440,634</u>
Less accumulated depreciation	167,791	43,730,102	18,325	43,916,218
Total depreciable capital assets, net	<u>109,918</u>	<u>162,411,524</u>	<u>2,974</u>	<u>162,524,416</u>
Total capital assets, net	<u>\$ 6,708,903</u>	<u>\$ 184,298,555</u>	<u>\$ 2,974</u>	<u>\$ 191,010,432</u>

Long-Term Liabilities

Longwood University Foundation

The noncurrent liabilities amount of \$1,402,271 at December 31, 2020, is comprised of \$910,074 amounts payable to third-party beneficiaries and \$492,197 annuities payable.

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2020:

Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2018A, total principal payments due each year of increasing amounts starting 2027 through maturity on January 1, 2055. The interest rate is fixed at 5%. Premium determined on the date of issue, total unamortized premium of \$4,895,902 at December 31, 2020.	120,910,000
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2018B, total principal payments due each year of increasing amounts starting 2022 through maturity on January 1, 2027. The interest rate increases from 4% to 4.625% through maturity. Discount determined on the date of issue, total unamortized discount of \$61,603 at December 31, 2020.	7,515,000
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2020A, total principal payments due each year of increasing amounts starting 2040 through maturity in 2059. The interest rate is fixed at 5%. Premium determined on the date of issue, total unamortized premium of \$5,055,030 at December 31, 2020.	121,625,000
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2020B, total principal payments due each year of increasing amounts starting 2022 through maturity in 2034. The interest rate is fixed at 5%. Discount determined on the date of issue, total unamortized discount of \$421,048 at December 31, 2020.	13,095,000
Deed of trust note payable, 4.10%, due in monthly payments of principal and interest of \$22,223, maturing December 1, 2024. Collateralized by the building at 315 West Third Street.	2,634,129
Deed of trust note payable, 4.75%, due in monthly payments of principal and interest of \$2,897, maturing November 4, 2023. Collateralized by the property known as 106 Venable Street.	435,111
Deed of trust note payable, 4.75%, due in monthly payments of principal and interest of \$2,993, maturing November 4, 2023. Collateralized by the property known as the 100 Madison Street.	447,309
Deed of trust note payable, 3.24 %, due in monthly payments of principal and interest of \$4,968, maturing June 1, 2025. Collateralized by the property known as the Old Tobacco Warehouse.	257,425
Uncollateralized promissory note payable, variable interest rate of 0.50% over the Prime Rate with a minimum of 4.00%, due in monthly principal and interest payments of \$5,571, with a balloon payment for the remaining principal due at maturity on December 19, 2029.	363,144
Deed of trust promissory note payable, 5.25%, due in monthly payments of principal and interest of \$2,166, maturing October 1, 2030. Collateralized by property known as the Moton Museum.	199,416
Deed of trust promissory note payable with the United States Department of Agriculture, 4.25%, due in monthly payments of principal and interest of \$1,092, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	221,928
Deed of trust promissory note payable with the United States Department of Agriculture, 4.00%, due in monthly payments of principal and interest of \$2,989, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	627,620
Deed of trust note payable, 3.12%, due in monthly payments of interest only through January 10, 2018; thereafter monthly payments of principal and interest through August 14, 2030. Collateralized by property known as the Midtown CRE	7,379,658
Deed of trust note payable, 3.99%, due in monthly payments of principal and interest of \$15,456, with a balloon payment due at March 5, 2026. Collateralized by the property known as Woodland Pond Condominiums.	2,280,931
Deed of trust note payable, 4.90%, due in monthly payments of principal and interest through August 15, 2024. Collateralized by the property known as the Early Childhood Development Center.	<u>1,756,911</u>
	\$ 279,748,582
(Discount) Premium, net	9,468,281
Less - loan costs, net	(5,568,589)
Less - current portion	<u>(3,703,282)</u>
	<u><u>\$ 279,944,992</u></u>

Maturities under long-term debt are as follows:

2021	\$3,703,282
2022	1,398,076
2023	1,784,273
2024	4,139,036
2025	2,426,415
Thereafter	<u>266,297,500</u>
Total	<u>\$ 279,748,582</u>

In June 2020, the LUREF received \$134,720,000 in financing through the Industrial Development Authority of the Town of Farmville, Virginia with the issuance of Educational Facilities Revenue and Refunding Bonds, Series 2020A and 2020B. The purpose of the bonds was to refund the Series 2017 bonds, finance the acquisition, further development, and rehabilitation of four existing student housing facilities, and pay off debt collateralized by property known as Riverview, LLC.

The Series 2017 bonds were originally issued in December 2017 in the amount of \$94,500,000. The primary purpose for the issuance was to provide proceeds for the renovation of student housing facilities known as Curry and Frazer Residence Halls. The bonds were scheduled to mature January 1, 2057 and had a fixed interest rate of 4.625%.

The Series 2020 bonds, which have staggered maturity dates of January 1, 2040, 2050, and 2059, are subject to mandatory sinking fund redemptions of principal beginning January 1, 2024. Interest is fixed at 5% and is payable semi-annually in January and July, beginning January 2021. In conjunction with the refinancing, the LUREF incurred a loss on extinguishments of debt totaling \$5,112,319, which is included on the accompanying statement of revenues, expenses, and changes in net position.

The Series 2018 bonds, in the amount of \$128,425,000, were issued in 2018 for the purpose of refunding prior bond issuances (Series 2015) that were used to acquire, construct, and equip the student housing facility known as “ARC Quad” (consisting in large part of Sharp and Register Halls) and other student housing projects including Lancer Park, Longwood Landings, Longwood Village. The Series 2018A bonds have a fixed interest rate of 5% with staggered maturity dates from January 2027 through January 2055. The Series 2018B bonds have fixed interest rates in the range of 4.0% to 4.625% with staggered maturities from January 2022 through January 2027.

The Series 2020 and 2018 bonds are subject to mandatory, optional, and extraordinary redemption.

The bond agreements require the establishment and maintenance of several reserve accounts for the collecting, holding, and disbursement of funds related to the issuance of the bonds, payment of project costs, payment of repairs, and repayment of principal and interest.

The Bonds are covered by a Master Trust Indenture (covering all amounts held in required accounts and reserves under the bond agreements), Deed of Trust (providing a fee simple interest in all real and personal property, all rents and profits, leases, and awards related to the property), Support Agreement, and Management Agreement. Under the Master Trust Indenture, the bonds are collateralized by the gross revenues of the LUREF, the Deed of Trust, and all moneys and securities held in required reserve accounts.

The Support Agreement requires that the projects be operated as part of the Longwood University housing system and on an equal basis with the University’s own student housing facilities. The Support Agreement

requires preferential treatment in that the University must assign all of its students in need of housing to the projects covered under the bonds, until at least 95% of the beds of each project are occupied.

The Management Agreement appoints the University as manager of each housing project. As such, the University is charged with setting and collecting all rents and makes a monthly payment to the LUREF for use of the projects. The University provides all personnel for resident advisory, public safety, education staffing, maintenance, grounds, housekeeping and janitorial services, and bills the LUREF for these costs. The LUREF is required to furnish utilities and insurance. All expenses associated with the management of the projects are subordinated and paid to the bond trustee monthly. Amounts are paid to the University by requisitioning such funds from the bond trustee.

In connection with the Series 2017 bond financings, the LUREF executed several interest rate agreements in order to reduce its exposure to interest rate risk through July 2022. These agreements were terminated as part of the Series 2020 financing. As a result of the termination, the LUREF incurred a loss on termination of derivatives of \$5,264,601, which is included on the accompanying statement of revenues, expenses, and changes in net position for the year ended December 31, 2020

Under the Bonds, the LUREF is required to meet certain debt coverage ratios. As of December 31, 2020, LUREF management believes the LUREF is in compliance with the requirements of the loan agreement.

Other Significant Transactions with Longwood University

Longwood University Foundation

In conjunction with its mission to support the activities and operations of Longwood University, the Longwood University Foundation has entered into various lease arrangements for nominal amounts with the University. Total net book value of assets leased to the University was \$1,371,854 at December 31, 2020, including land on the consolidated statements of net financial position.

For the six months ended December 31, 2020, the Foundation recognized \$364,720, of in-kind contributions and fundraising expense for services provided from University personnel that directly benefited the Foundation.

Longwood University Real Estate Foundation

Lessor Activities – The LUREF owns multiple properties separate from the student housing and projects that are leased to the University and others under multiple operating leases. Leases to the University are for office space, storage, non-student housing, and parking lots, with terms of one to ten years. Leases to faculty members for housing are on an annual basis. Commercial leases at Midtown Square are leased to non-University parties with terms of three to five years. University and commercial rental income for the years ended December 31, 2020 totaled \$2,221,151, and is included in rent revenue and parking revenue in the statement of revenues, expenses, and changes in net position.

The following is a schedule by year of future estimated minimum rental payments expected to be received under leases for terms beyond 12 months for the years ended December 31:

	University Related	Commercial	Total
2021	\$ 926,270	\$ 329,203	\$ 1,255,473
2022	791,590	270,127	1,061,717
2023	772,015	158,099	930,114
2024	786,242	47,232	833,474
2025	72,831	-	72,831
	<u>\$ 3,348,948</u>	<u>\$ 804,661</u>	<u>\$ 4,153,609</u>

Outstanding receivables for rent from the University at December 31, 2020 were \$1,197,904.

The LUREF pays the University fees under management agreements related to facilities covered by tax exempt bond issuances. These fees are based on costs to manage the specific properties. Total management fees paid for 2020 were \$1,209,376.

Longwood University Trust

The Organization receives funds on behalf of Longwood University Foundation (the “Foundation”) and Longwood University Real Estate Foundation (the “LUREF”) in an agency capacity. These amounts are not reflected in the accompanying consolidated statement of activities as the Organization acts in an agency capacity and the funds are passed through to the Foundation and the LUREF. For the year ended December 31, 2020, the Organization received funds totaling \$1,011,546 and \$7,191,920, to be disbursed to the Foundation and LUREF, respectively. As of December 31, 2020, funds totaling \$51,473 and \$31,652, respectively, had yet to be disbursed and are classified as current liabilities on the statement of revenues, expenses, and changes in net position as of December 31, 2020.

As of December 31, 2020, the Organization also had amounts payable to the University totaling \$177,695, representing operating gift transfers at year-end.

The Organization has recorded contributed services for program, management and general, and fundraising services in the amount of \$164,974, which has been reflected in the program, management and general, and fundraising expenses on the statement of revenues, expenses, and changes in net position.

Change in Accounting Period

Effective July 1, 2020 the Longwood University Foundation changed its year end from June 30 to December 31 in order to align its reporting period more accurately with its operations.

Component Unit Subsequent Events

Longwood University Foundation

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In an effort to mitigate the potential impact the Foundation may experience as a result of the COVID-19 outbreak, and in order to ensure its continued ability to pay employees, the Foundation applied for and

received \$59,400 in loan assistance through the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). PPP loan funds must be used to maintain compensation costs and employee headcount and other qualifying expenses (mortgage interest, rent, and utilities) incurred between March 1 and December 31, 2020. The amount received is recognized in the statement of net position as long-term liabilities – current portion at December 31, 2020. In January 2021, the Foundation was notified that the loan had been forgiven by the SBA.

The Foundation is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations for fiscal year 2021 given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.

Longwood University Real Estate Foundation

In preparing its consolidated financial statements, the LUREF has evaluated events and transactions for potential recognition or disclosure through June 28, 2021, the date the consolidated financial statements were available to be issued.

On March 29, 2021, the Foundation received \$49,900,000 in financing with the issuance of Series 2021 Educational Facilities Revenue Bonds through the Industrial Development Authority of the Town of Farmville. The proceeds are to fund the construction of the Convocation Center Project. The bonds are unrated and being privately placed with a single institutional purchaser without anticipation of immediate re-sale or distribution.

Longwood University Trust

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 31, 2021, the date the consolidated financial statements were available to be issued .

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information for Pension Plans

Schedule of University's Share of Net Pension Liability for VRS State Employee Retirement Plan (SERP)*					
For the years ended June 30, 2021-2015					
	Employer's Proportion of net pension liability	Employer's Proportionate share of net pension liability	Employer's covered payroll	Employer's Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a % of total pension liability
2021	0.63%	\$ 45,846,909	\$ 26,508,876	172.95%	72.15%
2020	0.65%	40,905,733	27,075,000	151.08%	75.13%
2019	0.64%	34,517,000	26,132,362	132.09%	77.39%
2018	0.62%	36,064,000	24,578,532	146.73%	75.33%
2017	0.62%	40,699,000	25,657,086	158.63%	71.29%
2016	0.62%	37,768,000	23,822,599	158.54%	72.81%
2015	0.61%	33,984,000	24,148,561	140.73%	74.28%

Schedule of University's Share of Net Pension Liability (VaLORS)*					
For the years ended June 30, 2021-2015					
	Employer's Proportion of net pension liability	Employer's Proportionate share of net pension liability	Employer's covered payroll	Employer's Proportionate share of net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a % of total pension liability
2021	0.20%	\$ 1,583,937	\$ 749,653	211.29%	65.74%
2020	0.22%	1,557,136	785,000	198.36%	68.31%
2019	0.22%	1,368,000	758,437	180.37%	69.56%
2018	0.20%	1,322,000	594,492	222.37%	67.22%
2017	0.18%	1,413,000	547,193	258.23%	61.01%
2016	0.17%	1,232,000	506,879	243.06%	62.64%
2015	0.17%	1,120,000	511,674	218.89%	63.05%

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

The schedules above are intended to show information for 10 years. Since 2015 was the first year for this presentation, only seven years are available. However, additional years will be included as they become available.

Schedule of University's Pension Contributions VRS State Employee Retirement Plan (SERP)	
For the Years Ended June 30, 2021-2015	

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 3,498,100	\$ 3,498,100	-	\$ 24,191,563	14.46%
2020	3,584,000	3,584,000	-	26,508,876	13.52%
2019	3,519,000	3,519,000	-	27,075,000	13.00 %
2018	3,482,000	3,482,000	-	26,132,362	13.32 %
2017	3,315,644	3,315,644	-	24,578,532	13.49 %
2016	3,407,261	3,407,261	-	25,657,085	13.28 %
2015	2,937,326	2,937,326	-	23,822,599	12.33 %

Schedule of University's Pension Contributions (VaLORS)					
For the Years Ended June 30, 2021-2015					
Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 158,500	\$ 158,500	-	\$ 723,744	21.90%
2020	162,000	162,000	-	749,653	21.61%
2019	170,000	170,000	-	785,000	21.66 %
2018	159,650	159,650	-	758,437	21.05 %
2017	125,141	125,141	-	594,492	21.05 %
2016	100,355	100,355	-	547,193	18.34 %
2015	89,566	89,566	-	506,879	17.67 %

The schedules above are intended to show information for 10 years. Since 2015 was the first year for this presentation, only seven years are available. However, additional years will be included as they become available.

Notes to Required Supplemental Information for Pension Plans

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

VRS - State Employee Retirement Plans (SERP):

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

VaLORS Retirement Plan:

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

Required Supplementary Information for Other Postemployment Benefit Plans
Schedules of University's Share of Other Post-Employment Benefits (OPEB) Liabilities (Assets)
For the years ended June 30, 2021-2018*

Plan	Year*	Employer's Proportion of Net OPEB Liability (Asset)	Employer's Proportionate Share of Net OPEB Liability (Asset)	Employer's Covered Payroll	Proportionate Share of net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (Asset)
GLI	2021	0.23%	\$ 3,927,439	\$ 48,433,183	8.11%	52.64%
GLI	2020	0.24%	3,925,455	47,237,246	8.31%	52.00%
GLI	2019	0.25%	3,726,000	45,776,117	8.14%	51.22%
GLI	2018	0.24%	3,598,000	43,924,000	8.19%	48.86%
HIC	2021	0.67%	\$ 6,164,044	\$ 48,376,447	12.74%	12.02%
HIC	2020	0.69%	6,401,684	47,210,029	13.56%	10.56%
HIC	2019	0.69%	6,307,000	45,665,441	13.81%	9.51%
HIC	2018	0.68%	6,208,000	43,924,000	14.00%	8.03%
VSDP	2021	(0.40%)	\$ (887,851)	\$ 17,433,465	(5.09%)	181.88%
VSDP	2020	(0.43%)	(839,637)	17,351,673	(4.84%)	167.18%
VSDP	2019	(0.43%)	(974,000)	16,322,948	(5.97%)	194.74%
VSDP	2018	(0.42%)	(856,000)	16,322,000	(5.67%)	186.63%

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

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only four years are available. Additional years will be added as they become available.

Plan	Year*	Employer's Proportion of the Collective Total OPEB Liability	Employer's Proportionate Share of the Collective Total OPEB Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Collective Total OPEB Liability as a Percentage of Its Covered-Employee Payroll
PMRH	2021	0.88%	\$ 4,996,810	\$ 46,556,000	10.73%
PMRH	2020	0.88%	6,002,288	45,305,000	13.25%
PMRH	2019	0.88%	8,810,802	44,799,000	19.67%
PMRH	2018	0.85%	11,068,862	44,628,000	24.80%

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

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only four years are available. Additional years will be added as they become available.

Plan	Year*	Employer's Proportion of Net LODA OPEB Liability (Asset)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	Covered-Employee Payroll**	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll**	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability
LODA	2021	0.09%	\$ 391,508	\$ 755,280	51.84%	1.02%
LODA	2020	0.10%	358,463	809,448	44.28%	0.79%
LODA	2019	0.09%	284,000	731,916	38.80%	0.60%
LODA	2018	0.07%	193,000	668,000	28.89%	1.30%

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

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

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only four years are available. Additional years will be added as they become available.

Schedule of the University's OPEB Contributions						
For the years ended June 30, 2021-2018						
Plan	Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll*	Contributions as a % of Covered Payroll*
GLI	2021	\$ 238,300	\$ 238,300	-	\$ 44,129,630	0.54%
GLI	2020	251,853	251,853	-	48,433,269	0.52%
GLI	2019	246,000	246,000	-	47,307,692	0.52%
GLI	2018	244,324	244,324	-	46,098,868	0.53%
HIC	2021	\$ 488,700	\$ 488,700	-	\$ 43,633,929	1.12%
HIC	2020	566,004	566,004	-	48,376,410	1.17%
HIC	2019	553,000	553,000	-	47,264,957	1.17%
HIC	2018	549,000	549,000	-	45,750,000	1.20%
LODA	2021	\$ 12,900	\$ 12,900	-	\$ 661,770	1.95%
LODA	2020	12,704	12,704	-	755,280	1.68%
LODA	2019	13,000	13,000	-	809,448	1.61%
LODA	2018	10,000	10,000	-	731,916	1.37%
VSDP	2021	\$ 97,100	\$ 97,100	-	\$ 15,918,033	0.61%
VSDP	2020	108,088	108,088	-	17,457,627	0.62%
VSDP	2019	103,000	103,000	-	17,457,627	0.59%
VSDP	2018	112,000	112,000	-	16,231,884	0.69%

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

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only four years are available. Additional years will be added as they become available.

Notes to Required Supplementary Information for OPEB Plans

PMRH program

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

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

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

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

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

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

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

GLI, HIC, LODA and VSDP programs:

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

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

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

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

Teachers (GLI)

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

SPORS Employees (GLI, HIC, LODA, VSDP)

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

Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)
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VaLORS Employees (GLI, HIC, LODA, VSDP)

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

JRS Employees (GLI, HIC)

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

Largest Ten Locality Employers - General Employees (GLI)

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

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

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

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

Largest Ten Locality Employers – Hazardous Duty Employees (GLI)

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

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

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

Largest Ten Locality Employers with Public Safety Employees (LODA)

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

Non-Largest Ten Locality Employers with Public Safety Employees (LODA)

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

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Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 22, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Longwood University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 22. Those financial statements were audited by other auditors

whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

Opinion

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

Other Matters

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 3 through 17; the Schedule of University's Share of Net Pension Liability, the Schedule of University's Pension Contributions, and the Notes to the Required Supplemental Information for Pension Plans on pages 91 through 93; the Schedule of University's Share of OPEB Liabilities/Assets, the

Schedule of the University's OPEB Contributions, and the Notes to Required Supplementary Information for OPEB plans on pages 94 through 99. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2022, on our consideration of the Longwood University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

LONGWOOD UNIVERSITY

Farmville, Virginia

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