LONGWOOD UNIVERSITY

FINANCIAL STATEMENTS

For Year Ended June 30, 2023

AUDITED

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2022 – 2023

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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.

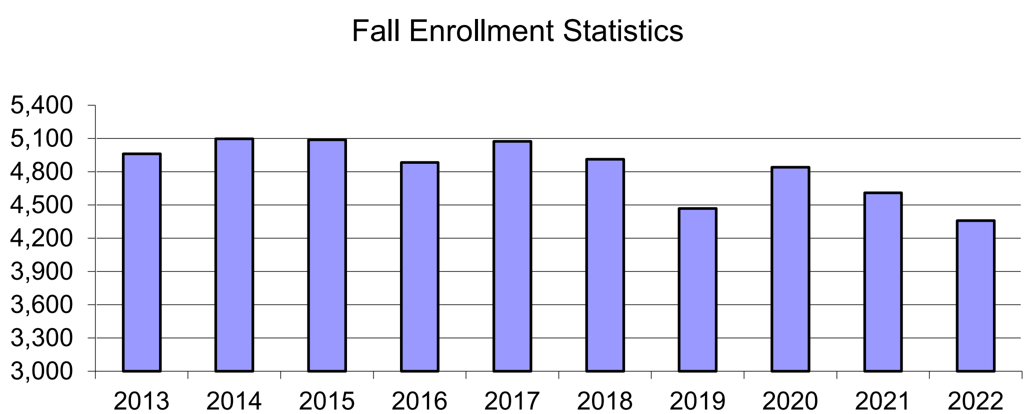
Longwood's academic profile and reputation has increased substantially in recent years. Over the last 10 years, has climbed to a consistent top-ten ranking in the U.S. News and World Report college rankings among regional public universities in the South, with eight straight years among that elite group. Among all universities, public and private, in the Southern regional category, Longwood continued its top-20 ranking, as in the previous year. The rankings rise coincides with continued investment in small classes taught by full-time professors, a course of action few public universities have taken. More than two-thirds of Longwood classes have 20 or fewer students, the highest percentage of any Virginia public college or university. Civitae Core Curriculum classes, the foundational courses that all students take as they develop into citizen leaders, are capped at 25 students. Longwood's nursing program was named the Best BSN Program in the Southeast in a 2022 ranking, and is named one of America's Best Colleges by *Money* magazine.

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.

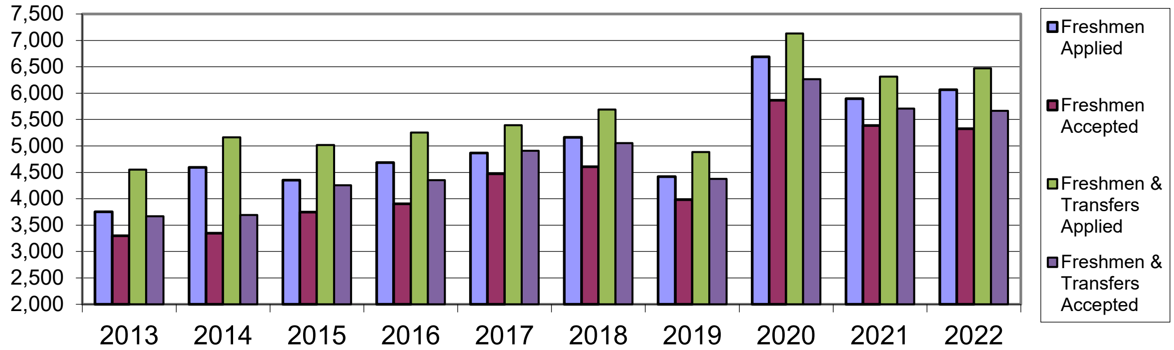
ENROLLMENT AND ADMISSIONS

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 4,358 students in the fall of 2022. There was a net decrease of 253 student headcount between fall 2021 and fall 2022 which was due to decreased undergraduate enrollment; however, graduate enrollment remains strong and increased by 78 students over the same period.



The fall 2023 entering freshmen class remained academically competitive with a grade-point average of 3.72, an average SAT score of 1030 - 1190, and an average ACT score of 22 - 27. Over the past ten years freshman applications have ranged from 4,087 in fall 2013 to a high of 6,689 in fall 2020. Total freshman applications increased from 5,893 in fall 2021 to 6,065 in fall 2022.

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, 2023, with comparative information presented for the fiscal year ended June 30, 2022, 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)	
	2023	2022	Amount	Percent
Total operating revenues	$ 76,538,730	$ 74,987,302	$ 1,551,428	2.07%
Total operating expenses	144,777,287	142,037,952	2,739,335	1.93%
Operating (loss)	(68,238,557)	(67,050,650)	(1,187,907)	(1.77%)
Net nonoperating revenues & expenses	61,169,422	71,847,972	(10,678,550)	(14.86%)
Other revenue	29,844,099	6,870,754	22,973,345	334.36%
Total increase/(decrease)	$ 22,774,964	$ 11,668,076	$ 11,106,888	95.19%

Evaluation of Summary of the Change in Net Position for Fiscal Years 2022 and 2023

On a summary basis, operating revenues were materially stable from fiscal year 2022 to fiscal year 2023. Because state appropriations are considered nonoperating revenue, the University will consistently experience an operating loss. However, the operating loss was offset by $61.2 million in net nonoperating revenues and expenses and $29.8 million in other revenues. Net nonoperating revenues and expenses consisted of $48.5 million state appropriations, which was an increase of $6.1 million from fiscal year 2022, $4.2 million in Pell revenue, which was a decrease of $0.2 million from fiscal year 2022, as well as $9.1 million in gifts from the Longwood Foundation, the Longwood Real Estate Foundation, and the Longwood Trust. During fiscal year 2023 the University recognized $0.2 million in Higher Education Emergency Relief Fund (HEERF) revenue and $1.5 million in special employer contributions to the employee retirement plan, both of which were considered nonoperating revenue. Other nonoperating revenues include $124,000 in insurance and investment revenue offset by interest on capital asset related debt of $1.5 million. Other revenues consisted of $29.7 million in capital appropriation for various construction projects on campus which was a $22.9 million increase from fiscal year 2022.

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, 2023. 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 amortization 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

	As of June 30,			Increase/(Decrease)	
	2023	2022		Amount	Percent
Assets					
Current assets	$14,216,296	$16,892,007		($2,675,711)	(15.84%)
Noncurrent assets:					
Restricted cash and cash equivalents	9,254,641	9,844,286		(589,645)	(5.99%)
Restricted appropriations available	17,178,282	899,175		16,279,107	1810.45%
Capital assets, net	288,538,501	286,860,815	(1)	1,677,686	0.58%
Other	1,097,584	1,266,089		(168,505)	(13.31%)
Total noncurrent assets	316,069,008	298,870,365	(1)	17,198,643	5.75%
Total assets	330,285,304	315,762,372	(1)	14,522,932	4.60%
Deferred outflows of resources					
Deferral on debt defeasance - loss	729,153	1,060,730		(331,577)	(31.26%)
Deferred outflows - Pension and OPEB	7,916,121	9,172,368		(1,256,247)	(13.70%)
Total deferred outflows of resources	8,645,274	10,233,098		(1,587,824)	(15.52%)
Liabilities					
Current liabilities	23,497,440	21,252,014		2,245,426	10.57%
Noncurrent liabilities	98,651,247	97,169,547		1,481,700	1.52%
Total liabilities	122,148,687	118,421,561		3,727,126	3.15%
Deferred inflows of resources					
Deferral on debt defeasance - gain	0	521		(521)	(100.00%)
Deferred inflows - Pension and OPEB	14,042,738	27,609,199		(13,566,461)	(49.14%)
Total deferred inflows of resources	14,042,738	27,609,720		(13,566,982)	(49.14%)
Net position					
Net investment in capital assets	242,252,581	241,249,034	(1)	1,003,547	0.42%
Restricted expendable	24,901,790	9,126,047		15,775,743	172.87%
Unrestricted	(64,415,218)	(70,410,892)		5,995,674	8.52%
Total net position	$202,739,153	$179,964,189		$ 22,774,964	12.66%

Note (1): FY 22 amount was restated to include FY 23 beginning balance adjustments.

Evaluation of Statement of Net Position for Fiscal Years 2022 and 2023

The University's current assets decreased by $2.7 million, or 16%, due mainly to a $14.3 million decrease in HEERF grant funds that were recognized in fiscal year 2022, and were not available in fiscal year 2023, partially offset by a decrease in student aid expense of $6.7 million due to fiscal year 2022, HEERF student grants. Additionally, state appropriations increased by $6.1 million and gifts decreased by $2.9 million.

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 $7.9 million of deferred outflows of resources and $14 million of deferred inflows of resources on the *Statement of Net Position*. The deferred outflows of resources represent, in part, the fiscal year 2023 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, 2024. Note 8, Note 12, Note 16 and Note 17 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 $2.2 million, or 10.57%, between fiscal years 2022 and 2023. Accounts payable increased $2.2 million between fiscal year 2022 and 2023 due mainly to an increase in construction expenditures due to increased capital construction funding.

The University's noncurrent liabilities increased $1.5 million, or 1.52%, between fiscal year 2022 and 2023 due mainly to the increase in the noncurrent net pension liability and other post employment benefit liability increase. The noncurrent net pension liability increased $6.0 million and the OPEB liability decreased $0.8 million between fiscal years 2022 and 2023, respectively. Noncurrent long-term debt decreased $5.2 million due to payment of VCBA bond principal, while leases under GASB pronouncement 87 decreased by $0.8 million, net, and SBITAs under GASB pronouncement 96 increased $2.4 million, net, between fiscal years 2022, and 2023, respectively. 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 $1.0 million, or 0.42%, due to a decrease in debt related to capital assets as the university continues to pay down debt related to previously issued bonds. Restricted expendable net position increased by $15.8 million, or 172.87%, due mainly to an increase in capital appropriation revenues in fiscal year 2023, an increase of $22.9 million less capital expenditures of $4.5 million. Unrestricted net position increased by $6.0 million, or 8.52%, primarily due to Longwood's allocated portions of pension and OPEB balances.

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 nonoperating revenues and expenses of the University. State appropriations, while budgeted for operations, are considered nonoperating 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. Nonoperating 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 nonoperating 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, 2023	Year Ended June 30, 2022		Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating revenues	$ 76,538,730	$ 74,987,302		$ 1,551,428	2.07%
Operating expenses	144,777,287	142,037,952		2,739,335	1.93%
Operating (loss)	(68,238,557)	(67,050,650)		(1,187,907)	(1.77%)
Nonoperating revenues/(expenses)					
State appropriations	48,455,343	42,310,830		6,144,513	14.52%
Pell grant revenue	4,172,646	4,414,887		(242,241)	(5.49%)
Gifts	9,122,757	12,002,198		(2,879,441)	(23.99%)
Net other nonoperating revenues and expenses	(581,324)	13,120,057		(13,701,381)	(104%)
Net nonoperating revenues and expenses	61,169,422	71,847,972		(10,678,550)	(14.86%)
Income/(loss) before other revenues and reductions	(7,069,135)	4,797,322		(11,866,457)	(247.36%)
Capital appropriations	29,693,669	6,773,645		22,920,024	338.37%
Capital grants and contributions	150,430	97,109	(1)	53,321	54.91%
Total other revenues	29,844,099	6,870,754	(1)	22,973,345	334.36%
Total increase/(decrease) in net position	22,774,964	11,668,076	(1)	11,106,888	95.19%
Net position, beginning of year as restated	179,964,189	168,296,113	(1)	11,668,076	6.93%
Net position, end of year	$202,739,153	$179,964,189		$22,774,964	12.66%

Note (1): FY 22 amount was restated to include FY 23 beginning balance adjustments.

For explanations of the revenue fluctuations, see the “Evaluation of Summary of the Change in Net Position for Fiscal Years 2022 and 2023” 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 2022 and 2023 in the following tables.

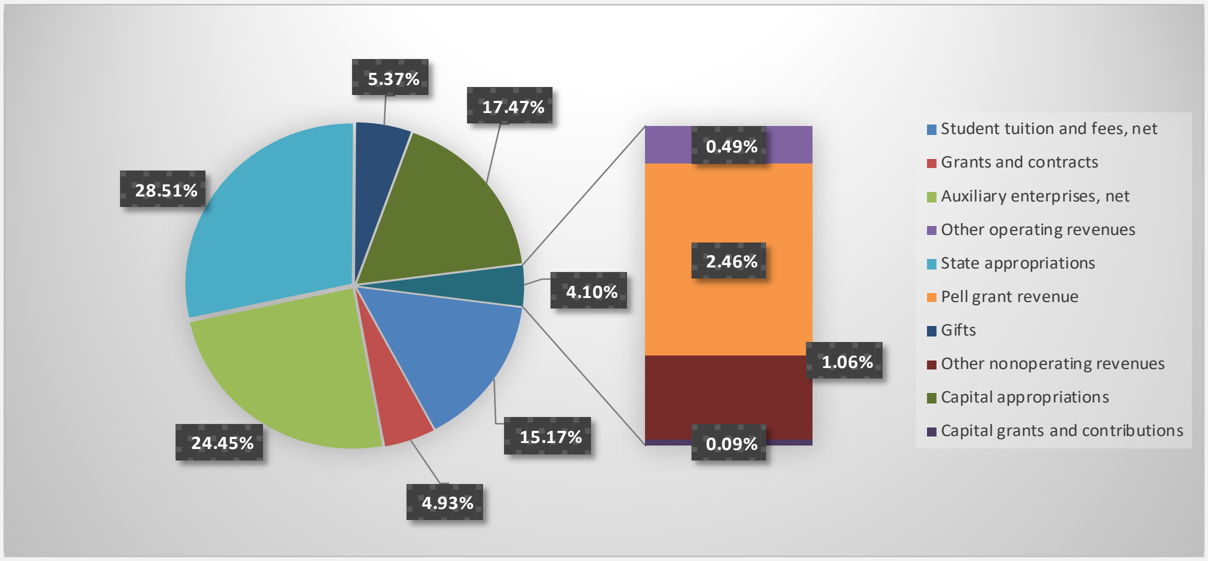
<u>Evaluation of Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Years 2022 and 2023</u>

Summary of Revenues

As noted above in the “Evaluation of the Summary of the Change in Net Position,” operating revenues were materially stable from fiscal year 2022 to fiscal year 2023.

Summary of Revenues

For the Year Ended June 30, 2023



Summary of Revenues

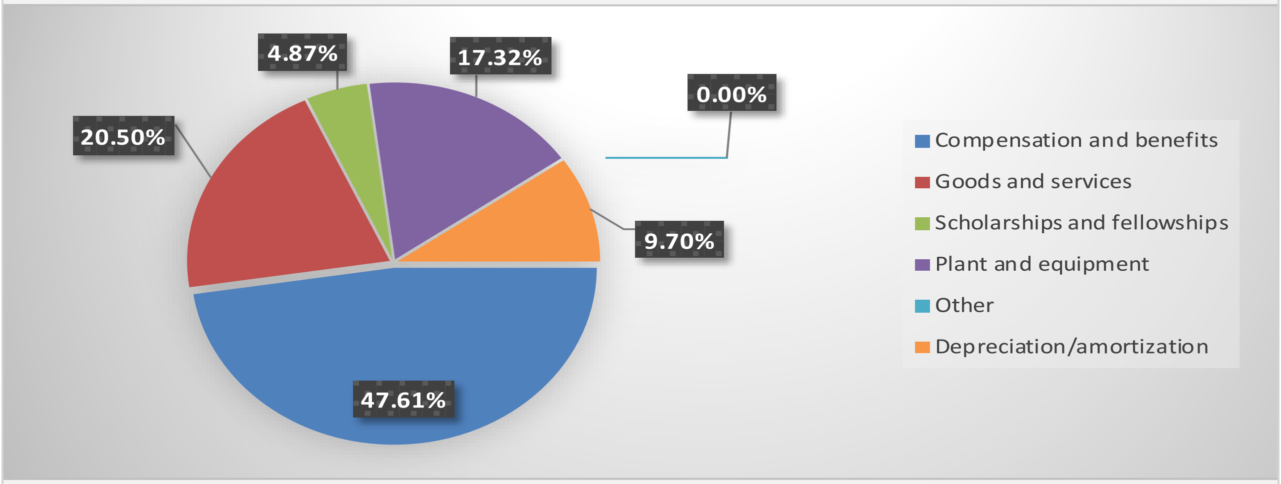
	Year Ended June 30,			Increase/(Decrease)	
	2023	2022		Amount	Percent
Operating revenues:					
Student tuition and fees, net	$25,774,388	$27,287,706		($1,513,318)	(5.55%)
Grants and contracts	8,373,475	7,567,453		806,022	10.65%
Auxiliary enterprises, net	41,551,621	39,440,085		2,111,536	5.35%
Other operating revenues	839,246	692,058		147,188	21.27%
Total operating revenues	76,538,730	74,987,302		1,551,428	2.07%
Nonoperating revenues:					
State appropriations	48,455,343	42,310,830		6,144,513	14.52%
Pell grant revenue	4,172,646	4,414,887		(242,241)	(5.49%)
Gifts	9,122,757	12,002,198		(2,879,441)	(23.99%)
Other nonoperating revenues	1,796,325	14,581,534		(12,785,209)	(87.68%)
Total nonoperating revenues	63,547,071	73,309,449		(9,762,378)	(13.32%)
Other revenues					
Capital appropriations	29,693,669	6,773,645		22,920,024	338.37%
Capital grants and contributions	150,430	97,109	(1)	53,321	54.91%
Total other revenues	29,844,099	6,870,754	(1)	22,973,345	334.36%
Total revenues	$169,929,900	$155,167,505		$ 14,762,395	9.51%

Note (1): FY 22 amount was restated to include FY 23 beginning balance adjustments.

Summary of Operating Expenses

A summary of the University's operating expenses by natural classification for the years ended June 30, 2022 and 2023, is shown below. Overall, total operating expenses increased approximately $2.7 million, or 1.93%, in fiscal year 2023 compared to the previous fiscal year. As reflected in the chart below, compensation and benefits increased $3.5 million or 5.38%, this was due mainly to the Commonwealth mandated compensation increase of 5 percent. Goods and services increased by $3.9 million, or 14.98%. Utilizing the increased state appropriations, the University has strategically deployed those funds to obtain goods and services that promote the mission of the university, which contributed to the increase in goods and services expenditures over fiscal year 2022. There was a large decrease in scholarship and fellowship expenses of $7.3 million, or 50.74%, due almost entirely to the HEERF emergency assistance grants recorded in fiscal year 2022. The $1.6 million, or 6.97%, increase in plant and equipment was due to increased maintenance performed due to receipt of maintenance reserve funds from the Commonwealth. Depreciation and amortization expense increased $1.0 million due to the implementation of GASB Statement 96, SBITAs.

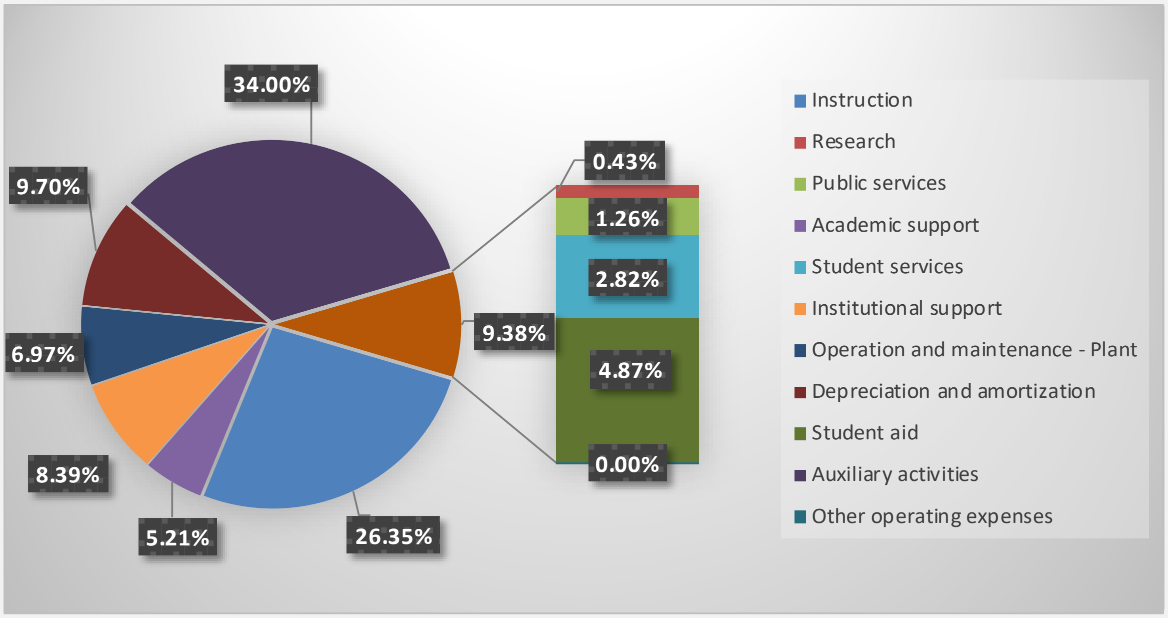
Summary of Operating Expenses by Natural Classification
For the year ended June 30, 2023



Operating Expenses by Natural Classification

	Year Ended June 30, 2023	Year Ended June 30, 2022	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Compensation and benefits	$ 68,936,629	$ 65,414,966	$ 3,521,663	5.38%
Goods and services	29,676,459	25,810,708	3,865,751	14.98%
Scholarships and fellowships	7,050,427	14,313,698	(7,263,271)	(50.74%)
Plant and equipment	25,068,252	23,434,019	1,634,233	6.97%
Other	0	47,752	(47,752)	(100.00%)
Depreciation/amortization	14,045,520	13,016,809	1,028,711	7.90%
Total operating expenses	$ 144,777,287	$ 142,037,952	$ 2,739,335	1.93%

A summary of the University's operating expenses by functional classification for the years ended June 30, 2022, and 2023, is shown below.



Operating Expenses by Function

	For the Year Ended June 30,		Increase/(Decrease)	
	2023	2022	Amount	Percent
Operating expenses:				
Instruction	$38,145,219	$34,816,179	$ 3,329,040	9.56%
Research	620,448	592,256	28,192	4.76%
Public services	1,828,672	1,823,111	5,561	0.31%
Academic support	7,542,848	7,489,351	53,497	0.71%
Student services	4,076,744	4,242,623	(165,879)	(3.91%)
Institutional support	12,143,947	9,049,101	3,094,846	34.20%
Operation and maintenance - Plant	10,087,773	8,568,676	1,519,097	17.73%
Depreciation and amortization	14,045,520	13,016,809	1,028,711	7.90%
Student aid	7,050,427	13,735,257	(6,684,830)	(48.67%)
Auxiliary activities	49,235,689	47,881,159	1,354,530	2.83%
Other operating expenses	0	823,430	(823,430)	(100%)
Total operating expenses	$ 144,777,287	$ 142,037,952	$ 2,739,335	1.93%

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.

Condensed Statement of Cash Flows

	Year Ended June 30,		Increase/
	2023	**2022**	**(Decrease)**
Cash Provided (used) by:			
Operating activities	$ (61,683,137)	$ (64,492,971)	$2,809,834
Noncapital financing activities	62,131,112	73,148,748	(11,017,636)
Capital financing activities	(7,809,736)	(9,392,162)	1,582,426
Investing activities	42,407	22,575	19,832
Net increase/(decrease) in cash	(7,319,354)	(713,810)	(6,605,544)
Cash - Beginning of year	21,683,188	22,396,998	(713,810)
Cash - End of year	$14,363,834	$21,683,188	($7,319,354)

Evaluation of Statement of Cash Flows for Fiscal Years 2022 and 2023

The $2.8 million increase between fiscal year 2022 and fiscal year 2023 in cash provided by operating activities was largely due to the reduction in student aid expense of $7.3 million and increase in auxiliary revenue of $2.1 million. State employee salary increases of 5% for classified employees and 3% for Administrative and Professional employees, as well as increases in payments due to suppliers, $4.0 million and $1.1 million, respectively, coupled with a reduction in tuition revenue of $1.8 million, partially offset the savings from student aid expense and increased auxiliary revenues.

Changes between fiscal year 2022 and fiscal year 2023 in cash provided by noncapital financing activities decreased by $11.0 million due to a $14.3 million decrease in federal HEERF funds, a $2.9 million decrease in gifts from the foundations, and a $6.1 million increase in state appropriations. Changes between fiscal year 2022 and fiscal year 2023 in cash used for capital and related financing activities increased overall by $1.6 million due to the following factors: an increase of $2.0 million in capital appropriation, a decrease of $1.0 million in cash used for the acquisition and construction of capital assets, and an increase of $1.6 million in cash used for debt payments. Cash provided by investing activities was 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 2022 to fiscal year 2023, land and right-to-use land decreased by $0.3 million, construction in progress increased by $8.3 million, buildings and right-to-use buildings decreased by $8.4 million, equipment and right-to-use equipment decreased by $0.2 million, infrastructure decreased by $1.6 million, and intangibles and right-to-use intangibles decreased by $1.3 million.

Note 10 of the **Notes to Financial Statements** notes that long-term debt decreased from $43.5 million in 2022, to $38.3 million in 2023. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 5.30% at the end of fiscal year 2022 and 6.35% at the end of fiscal year 2023. Per Board-approved policy, the University will maintain a debt burden ratio of 9% 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 the years leading up to and including 2023, Longwood is in a position of strength. Longwood is one of the nation's hundred-oldest institutions of higher learning and the third oldest public higher education institution in Virginia, a state that continues to grow and prosper. The Commonwealth of Virginia's economic and political support for higher education in general and Longwood in particular continues to be strong and unwavering.

Overall Financial Stability

Longwood University enjoys the support of the Commonwealth of Virginia as evidenced in its state support which saw a state appropriation increase of 14.52% from fiscal year 2022 to fiscal year 2023, which totaled approximately $6.1 million. Virginia continues to prosper, and Longwood is optimistic the state support will continue. Longwood also continues to be the beneficiary of state funding for construction. Longwood broke ground on a $28.7 million environmental health and safety facilities annex building in the fall of 2022 and is in design phases of an $91.2 million music education building which is scheduled to be open in 2027. Additionally, the Commonwealth continues to prioritize infrastructure improvements and funded four chiller replacements in the fiscal year 2024 budget.

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, 2023

Assets	Longwood University	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	$ 5,271,766	$ 19,636,815
Accounts receivable, net of allowance for doubtful accounts of $219,833 (Note 4)	2,478,040	1,100,060
Contributions receivable, net (Note 22)	-	449,869
Due from Component Unit (Note 5)	1,052,595	104,646
Due from the Commonwealth (Note 6)	4,065,573	7,810,183
Inventory	605,188	-
Prepaid expenses	743,134	573,423
Other Asset	-	575,000
Total current assets	$ 14,216,296	$ 30,249,996
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	9,254,641	474,755
Restricted Appropriations Available/Due From Commonwealth (Note 6)	17,178,282	-
Restricted Investments (Note 22)	-	150,595,974
Other non-current assets (Note 18)	1,097,584	21,117,550
Notes receivable (Note 22)	-	265,000
Contributions receivable, net (Note 22)	-	2,488,510
Non-depreciable capital assets, net (Note 7)	18,360,420	65,256,373
Depreciable and amortizable capital assets, net (Note 7)	270,178,081	154,293,495
Total noncurrent assets	316,069,008	394,491,657
Total assets	$ 330,285,304	$ 424,741,653
Deferred Outflow of Resources		
Deferral on Debt Defeasance - loss (Note 8)	729,153	-
Deferred outflows of resources - OPEB and Pension (Notes 8, 17 & 18)	7,916,121	-
Total Deferred Outflows of Resources	$ 8,645,274	-
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (Note 9)	10,623,384	12,243,928
Line of Credit (Note 22)	-	862,760
Unearned revenue (Note 2)	3,988,089	-
Obligations under securities lending (Note 3)	162,573	-
Deposits held in custody for others	427,163	-
Long-term liabilities - current portion (Note 10)	8,296,231	1,320,891
Total current liabilities	23,497,440	14,427,579
Noncurrent liabilities (Note 10)	98,651,247	327,937,627
Total liabilities	$ 122,148,687	$ 342,365,206
Deferred Inflow of Resources		
Deferred inflows of resources -OPEB and Pension (Notes 12, 17 & 18)	14,042,738	-
Total Deferred Inflows of Resources	$ 14,042,738	-
Net Position		
Net Investment in capital assets	242,252,581	(40,178,222)
Restricted:		
Nonexpendable:		
Permanently restricted (Note 22)	-	62,090,159
Expendable:		
Loans (Note 22)	101,451	-
Temporarily restricted	15,082,493	46,790,755
Other	9,717,846	307,722
Unrestricted	(64,415,218)	13,366,033
Total net position	$ 202,739,153	$ 82,376,447

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, 2023

	Longwood University	Component Units
Operating revenues:		
Student tuition and fees, Net of scholarship allowances of $10,797,821	$ 25,774,388	$ -
Gifts and contributions	-	2,008,346
Federal grants and contracts	3,168,199	-
State grants and contracts	791,464	-
Nongovernmental grants and contracts	4,413,812	-
Auxiliary enterprises, net of scholarship allowances of $9,924,526	41,551,621	-
Other operating revenues	839,246	24,943,770
Total operating revenues	76,538,730	26,952,116
Operating expenses (Note 15)		
Instruction	38,145,219	-
Research	620,448	-
Public service	1,828,672	-
Academic support	7,542,848	-
Student services	4,076,744	-
Institutional support	12,143,947	13,250,279
Operation and maintenance - Plant	10,087,773	9,698,562
Depreciation	11,797,353	7,097,095
Amortization	2,248,167	-
Student aid	7,050,427	2,293,203
Auxiliary activities	49,235,689	-
Administrative and fundraising	-	2,869,584
Other expenses	-	142,719
Total operating expenses	144,777,287	35,351,442
Operating gain (loss)	(68,238,557)	(8,399,326)
Nonoperating revenues (expenses):		
State appropriations (Note 14)	48,455,343	-
Pell grant revenue	4,172,646	-
Grants and contracts	1,671,870	-
Insurance revenue	82,048	-
Investment revenue	42,407	(8,705,477)
Gifts	9,122,757	-
Interest on capital asset-related debt	(1,492,294)	(13,394,209)
Other revenue	-	1,993,543
Gain (loss) on disposal/sale of plant assets	(885,355)	1,148,338
Net nonoperating revenues/(expenses)	61,169,422	(18,957,805)
Income/(Loss) before other revenues, expenses, gains or losses	(7,069,135)	(27,357,131)
Contributions to permanent endowments	-	3,058,578
Contributions to term endowments	-	2,625,373
Capital appropriations (Note 6)	29,693,669	-
Capital grants and contributions	150,430	-
Net other revenues	29,844,099	5,683,951
Increase (decrease) in net position	22,774,964	(21,673,180)
Net position - Beginning of year (Note 2) as restated	179,964,189	104,049,627
Net position - End of year	$ 202,739,153	$ 82,376,447

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, 2023

Cash flows from operating activities:	
Student tuition and fees	$ 25,896,096
Grants and contracts	7,593,206
Auxiliary enterprises	40,687,418
Payments to employees	(75,732,468)
Payments to suppliers and utilities	(29,833,488)
Payments for operation and maintenance of facilities	(24,035,631)
Payments for scholarships and fellowships	(7,050,427)
Other operating receipts	839,246
Custodial receipts	530,772
Custodial disbursements	(577,861)
PLUS/Direct loan - receipts	26,113,587
PLUS/Direct loan - disbursements	(26,113,587)
Net cash provided (used) by operating activities	(61,683,137)
Cash flows from noncapital financing activities:	
State appropriations	48,455,343
Gifts	9,122,757
Other non-operating revenues	4,553,012
Net cash provided (used) by noncapital financing activities	62,131,112
Cash flows from capital and related financing activities:	
Capital appropriations	9,481,961
Insurance payments	82,048
Acquisition and construction of capital assets	(8,499,868)
Principal paid on capital debt, leases, and installments	(7,613,144)
Interest paid on capital debt, leases, and installments	(1,260,733)
Net cash provided (used) by capital financing activities	(7,809,736)
Cash flows from investing activities:	
Investment/interest revenue	42,407
Net cash provided (used) by investing activities	42,407
Net decrease in cash	(7,319,354)
Cash and cash equivalents - Beginning of the year	21,683,188
Cash and cash equivalents - End of the year	$ 14,363,834

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, 2023

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

Operating (loss)	$	(68,238,557)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense		14,045,520
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Receivables, net		(1,102,911)
Inventory		(24,184)
Prepaid expenses		433,864
Accounts payable and accrued expenses		646,696
Unearned revenue		(419,852)
Custodial funds		(47,089)
Deferred outflows of resources from net pension obligation & OPEB		1,256,247
Deferred inflows of resources from net pension obligation & OPEB		(13,566,461)
Pension and OPEB liability		5,162,335
OPEB asset		168,505
Accrued compensated absences		2,751
Net cash provided (used) by operating activities	$	(61,683,136)

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

Gift of capital assets	$	150,430
Amortization of loss on debt defeasance	$	(331,577)
Loss on disposal of capital asset	$	(885,355)
Retainage payable	$	382,816
Long-term leases used to finance capital assets	$	383,495
SBITA liability related to right to use technology agreement	$	764,569

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, 2023

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

<u>Basis of Accounting</u>

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.

<u>Cash and Cash Equivalents</u>

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.

<u>Investments</u>

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 nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

<u>Prepaid Expenses</u>

Prepaid expenses of the University include such items as insurance premiums, membership dues, and registrations for the 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 the 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 the date of donation. Library materials are valued at actual cost and average cost at the 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 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.

Depreciation and amortization are computed using the straight-line method over the estimated useful life of the asset and are 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.

Long Term Leases

GASB Statement No. 87 pertaining to leases was implemented in fiscal year 2022. The fundamental principle of this statement is that leases are financings of a right-to-use asset. To improve consistency of accounting and reporting, qualified leases under GASB 87 will be recognized as an intangible right-to-use asset as well as a lease liability. The lease liability will be recorded at the discounted present value of the expected payment streams during the lease term. The right-to-use asset will be recorded at the value equal to the initial measurement of the lease liability, plus any lease payments made before the commencement of the lease term, as well as any ancillary charges necessary to place the leased asset into service. This includes all lease or lease-type agreements that are material in value and have a total life greater than twelve months. A lease lifespan includes renewal periods if the option to renew is reasonably certain to be exercised. For reporting purposes, the University has established a long-term lease classification threshold of $50,000 and greater. This threshold is not limited to single assets, but can also include a group of assets. This threshold applies to the total calculated leased asset amount.

Subscription-Based Information Technology Arrangements (SBITA)

The University has implemented GASB Statement No. 96 in fiscal year 2023. This statement will improve financial reporting by defining a SBITA and providing guidance for accounting and reporting for transactions that meet that definition. A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with, tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which the University has a non-cancellable right to use the underlying information technology asset. The subscription term may also include periods covered by an option to extend or terminate if it is reasonably certain the University will or will not exercise those options. For reporting purposes, the University will recognize a right-to-use subscription asset, as well as a subscription liability. The subscription asset will be initially measured using the initial subscription liability amount, plus any payments made to the SBITA vendor before the commencement of the subscription term, as well as any capitalized implementation costs. Finally, the right-to-use subscription asset amount should not include any incentives received from the SBITA vendor at or before the commencement of the subscription. The subscription liability will be measured at the present value of the subscription payments expected to be made throughout the term. Future subscription payments will be discounted using the interest rate the SBITA vendor charges or the incremental borrowing rate if the interest rate is not readily determinable. The University will recognize the amortization of the discount on the subscription liability as an outflow of resources, or interest expense, in subsequent financial reporting periods. The University has established that a long-term SBITA has a contract term greater than twelve months and has a calculated asset value threshold of $5,000 or more.

Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or 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

- GASB 96 – *Subscription-Based Information Technology Arrangements (SBITA)*

The current year implementation of GASB statement 96 had a significant effect on the University's financial statements.

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, 2023. 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 property management agreement for all University owned student housing, the unearned balance on June 30, 2023, was $21,267,123, the amount that will be earned in the next 12 months, $575,000, is included in the Auxiliary unearned revenue noted below; the remaining $20,692,123 is recorded as a non-current long term liability and will be recognized as revenue when earned (see Note 10). During fiscal year 2023, the University still had $708,994 of unspent ARPA funds, awarded through the Commonwealth of Virginia, to be used for student scholarships during the following fiscal year; accordingly, this revenue was recorded as unearned.

	2023
Student tuition and related fees	$ 2,637,657
Auxiliary enterprise fees	641,438
ARPA funds	708,994
Total	$ 3,988,089

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 include 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*.

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 amortization 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.

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as nonoperating 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.

Nonoperating 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 discounts and allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the actual charge for goods and services provided by the University and the amount that is paid by students and/or third parties on behalf of students. 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 nonoperating 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, (5) estimated amounts for accrued compensated absences, (6) leases under GASB 87, (7) subscription-based information technology arrangements under GASB 96, 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 is reported as interest expense. 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 nonoperating expense as incurred.

Beginning Balance Adjustment

The University's beginning net position as of July 1, 2022, has been adjusted. The adjustment is due to a correction to the prior year's historical cost for equipment, accumulated depreciation – equipment, amortizable land, construction in progress, and buildings. Prior year balances were not restated for the corrections, only the beginning balances for fiscal year 2023 were adjusted. The adjustment is as follows:

Net Position, July 1, 2022	$ 179,927,111
Equipment correction	9,271
Accumulated Depreciation – Equipment	(47)
Amortizable Land	16,308
Construction in Progress	11,544
Buildings	2
Adjusted Net Position, July 1, 2022	$ 179,964,189

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, 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, 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

<u>Cash and Cash Equivalents</u>

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 FDIC 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 bond 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 of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

On June 30, 2023, the carrying amount of cash with the Treasurer of Virginia was $5,475,087. The carrying amount of cash not held by the Treasurer of Virginia is $8,658,437. The carrying amount not held by the Treasurer consists of bank balances reported on June 30, 2023, in the amount of $8,866,599 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, 2023	Credit Rating
Cash and cash equivalents	5,271,766	
Restricted cash and cash equivalents	9,254,641	
Total Cash and Cash Equivalents	**14,526,407**	
Treasurer of Virginia	5,475,087	
Held in custody of others	8,658,437	
SNAP program	392,883	S&P AAAm
Total Cash and Cash Equivalents	**14,526,407**	

Investments

The majority of University funds are held by the Treasurer of Virginia and, therefore, are 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 2023, 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, 2023, the University did not have any investments other than in the State Non-Arbitrage Program (SNAP), which is an external investment pool not subject to 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). On June 30, 2023, the carrying amount of the cash equivalents held in the SNAP program was $392,883.

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 $162,573 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 gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

4. ACCOUNTS AND NOTES RECEIVABLE

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

Student tuition and fees	$ 1,194,706
Auxiliary enterprises	1,312,488
Federal, state, and nongovernmental grants and contracts	334,587
Total	$ 2,841,781
Less: Allowance for doubtful accounts	(363,741)
Net accounts receivable	$ 2,478,040

5. DUE FROM COMPONENT UNIT

Due from foundation consisted of the following on June 30, 2023:

Longwood University Real Estate Foundation	$1,052,595
Total Due from Foundation	$1,052,595

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 the fiscal year 2023, funding has been provided to the University from two programs: 21st Century bond program and the 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, 2023, in the "Capital Appropriations" line item for equipment and facilities obtained with funding under these two programs as well as amounts for maintenance reserve.

Capital Appropriations

VCBA 21st Century Program	$8,282,089
VCBA ETF Program	777,197
Maintenance Reserve - 23-24	1,942,384
Capital Projects	18,691,999
Total Available Appropriations	$29,693,669

The line item, "Due from the Commonwealth," on the *Statement of Net Position* for the year ended June 30, 2023, represents pending reimbursements from the following program:

21st Century Bonds	$4,065,573
Total Due from Commonwealth of Virginia	$4,065,573

The line item, "Restricted Appropriations Available/Due from the Commonwealth," on the *Statement of Net Position* for the year ended June 30, 2023, represents unspent funds available for capital projects:

Total Appropriations Available - Capital Projects	$17,072,627
Total Appropriations Available - Other	105,655
Total Available Capital Appropriations	$17,178,282

7. CAPITAL ASSETS

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

	Beginning Balance 6/30/2022	Additions	Reductions	Ending Balance 6/30/2023
Non-Depreciable Capital Assets				
Land	$5,438,138	$30,000	$ -	$5,468,138
CIP (1)	4,601,708	10,390,033	(2,099,459)	12,892,282
Total Non-Depreciable Capital Assets	10,039,846	10,420,033	(2,099,459)	18,360,420
Depreciable Capital Assets				
Buildings	355,379,435	1,082,857	(240,203)	356,222,089
Equipment (2)	21,422,897	616,818	(533,950)	21,505,765
Infrastructure	60,854,550	16,427	-	60,870,977
Library Materials	13,276,546	325,440	(1,505)	13,600,481
Intangible Assets	8,511,192	-	(6,479,452)	2,031,740
Total Depreciable Capital Assets, Cost	459,444,620	2,041,542	(7,255,110)	454,231,052
Accumulated Depreciation				
Buildings	113,053,728	8,753,481	(204,904)	121,602,305
Equipment (3)	17,560,936	981,896	(469,302)	18,073,530
Infrastructure	36,620,331	1,452,688	-	38,073,019
Library Materials	11,255,697	398,895	(1,505)	11,653,087
Intangible Assets	7,259,674	210,393	(5,694,041)	1,776,026
Total Accumulated Depreciation	185,750,366	11,797,353	(6,369,752)	191,177,967
Depreciable Capital Assets, Net	273,694,254	(9,755,811)	(885,358)	263,053,085
Leased Assets				
Right-to-Use Assets - Building (4)	2,973,386	-	-	2,973,386
Right-to-Use Assets - Equipment (5)	255,010	383,495	-	638,505
Right-to-Use Assets - Land (6)	1,850,124	-	(68,898)	1,781,226
Total Leased Assets	5,078,520	383,495	(68,898)	5,393,117
Leased Assets Amortization				
Right-to-Use Assets - Building	736,416	736,416	-	1,472,832
Right-to-Use Assets - Equipment (7)	53,039	137,936	-	190,975
Right-to-Use Assets - Land (8)	326,591	354,608	(68,898)	612,301
Total Accumulated Amortization	1,116,046	1,228,960	(68,898)	2,276,108
SBITA Assets				
Right-to-Use Assets - Intangibles (9)	4,262,625	764,569	-	5,027,194
SBITA Assets Amortization				
Right-to-Use Assets - Intangibles	-	1,019,207	-	1,019,207
Other Capital Assets	8,225,099	(1,100,103)	-	7,124,996
Depreciable and Amortizable Capital Assets, Net	281,919,353	(10,855,914)	(885,358)	270,178,081
All Capital Assets, Net	291,959,199	(435,881)	(2,984,817)	288,538,501

Note (1): Beginning balances have been restated by $11,544 to record an asset received in FY22 in the CIP category.

Note (2): Beginning balances have been restated by $5,590 to record an asset received in FY22 in the Equipment category.

Note (3): Beginning balances have been restated by $(47) to record depreciation associated with the addition of an asset received in a prior fiscal year in Equipment category.

Note (4): Beginning balances have been restated by $2 to correct an asset received in FY22 in the Right-to-Use Assets - Buildings category.

Note (5): Beginning balances have been restated by $91,515 to record an asset received in FY22 in the Right-to-Use Assets - Equipment category

Note (6): Beginning balances have been restated by $999,926 to record an asset received in FY22 in the Right-to-Use Assets - Land category.

Note (7): Beginning balances have been restated by $(30,505) to record amortization associated with the addition of a Right-to-Use asset received in a prior fiscal year in Equipment category.

Note (8): Beginning balances have been restated by $(205,188) to record amortization associated with the addition of a Right-to-Use asset received in a prior fiscal year in Amortizable Land category.

Note (9): Beginning balances have been restated by $4,262,625 to record an asset received in FY22 in the Right-to-Use Assets - Intangibles category.

8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources as of June 30, 2023, is summarized as follows:

Deferred loss - 9 (c) General Obligation Bonds Refundings	$353,426
Deferred loss - VCBA Pooled Notes Payable Refundings	375,727
Deferral on Debt Defeasance	729,153
Deferred Outflows - Pension Liability	5,473,128
Deferred Outflows - Other Post Employment Benefits	2,442,993
Total Deferred Outflows of Resources:	$7,916,121

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employee salaries, wages, and fringe benefits payable	$5,094,455
Vendors and suppliers accounts payable	4,744,949
Retainage payable	382,816
Interest payable	401,164
Total accounts payable and accrued expenses	$10,623,384

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, 2023, is presented as follows:

Category	Beginning Balance		Additions		Reductions		Ending Balance	Current Portion	
Long Term Debt:									
9 (c) General Obligation Bonds	$ 6,180,731		$ -		$ 1,271,204		$ 4,909,527	$1,327,285	
Unamortized Premium	655,578		-		157,364		498,214	155,164	
	6,836,309		-		1,428,568		5,407,741	1,482,449	
VCBA Pooled Notes	35,055,000		-		3,510,000		31,545,000	3,210,000	
Unamortized Premium	1,586,244		-		278,470		1,307,774	180,012	
	36,641,244		-		3,788,470		32,852,774	3,390,012	
Installment Purchases									
Front-end Loader	35,106		-		18,783		16,323	16,323	
Paper Cutter	29,742		-		5,586		24,156	5,813	
Paper Cutter-Buyout	2,278		-		-		2,278	-	
	67,126		-		24,369		42,757	22,136	
Total Long Term Debt	43,544,679		-		5,241,407		38,303,272	4,894,597	
Accrued Compensated Absences	1,461,170		941,281		938,530		1,463,921	986,204	
Unearned Revenue	21,842,123		-		575,000		21,267,123	575,000	(3)
Net Pension Liability	22,349,256		5,979,979	(1)	-		28,329,235	-	
OPEB - HIC	5,148,489		-		60,116	(2)	5,088,373	-	
OPEB - GLI	2,489,911		119,487	(1)	-		2,609,398	-	
OPEB - LODA	413,562		-		16,449	(2)	397,113	8,703	
OPEB - PMRH	3,858,019		-		860,566	(2)	2,997,453	327,749	
Total OPEB Liability	11,909,981		119,487		937,131		11,092,337	336,452	
Lease Liability	4,008,763	(4)	383,495		1,179,550		3,212,708	987,536	
SBITAs	4,237,625	(4)	764,569		1,192,187		3,810,007	1,081,843	
Finance Purchase Obligation	-		43,875		-		43,875	9,599	
Total Long Term Liabilities	$109,353,597		$ 8,232,686		$10,063,805		$107,522,478	$8,871,231	

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.
Note (4): Beginning Balances of Lease/SBITA Liability Adjusted due to correct beginning lease liability and due to GASB 96 Implementation.

Installment Purchase Agreements

The University has several installment purchase contracts to finance the acquisition of equipment. The first installment purchase is for equipment used in the operation of the power plant. The remaining length of the agreement is one year. Payment on this commitment is as follows:

Front-End Loader

Fiscal Year	Installment Purchase
2024	16,323
Total	$ 16,323

The remaining installment purchases are for equipment purchased to be used in printing services. The remaining length of the first equipment purchase agreement is four years. Payment on this commitment is as follows:

Fiscal Year	Industrial Paper Cutter Installment Purchase
2024	5,813
2025	6,050
2026	6,296
2027	5,997
Buy-Out Amount	2,278
Total	$ 26,434

Lease Assets by Category

Equipment

The University has entered into various leasing agreements to lease equipment to be used in areas such as postal services, printing services, and grounds maintenance. A summary of the University's lease agreements for the category *equipment* is as follows:

- **Pitney Bowes SendPro P Series Mail Processor -** This lease agreement began on 7/1/21 with a term of five years and requires a quarterly payment. This lease is measured and discounted using the incremental borrowing rate of 3.25%. Accordingly, the University recognizes a right-to-use asset in the amount of $104,477 and a liability balance of $64,182 as of June 30, 2023.

- **Robotic Tank Turf Painter -** This lease agreement began on 5/1/22 with a term of six years and requires an annual payment. This lease is measured and discounted using the incremental borrowing rate of 4.0%. As a result of ancillary expenses, the University recognizes a right-to-use asset in the amount of $54,518. The liability balance on June 30, 2023 is $36,299.

- **Xerox XC1000I –** This lease agreement began on 7/1/21 with a term of three years and requires a monthly payment. This lease is measured and discounted using the incremental borrowing rate of 3.25%. The University recognizes a right-to-use asset in the amount of $91,515 and a liability balance of $31,415 as of June 30, 2023.

- **Printer Copier Scanner Combination Equipment –** This lease agreement is for the various printers/copiers/scanner equipment used across campus. The agreement began on 7/1/22, with a term of five years and a monthly payment. This lease is measured and discounted using the incremental borrowing rate of 2.84%. As such, the University recognizes a right-to-use asset in the amount of $330,164 and a liability balance of $267,191 as of June 30, 2023.

Buildings

The University has entered into several leasing agreements to lease buildings to be used for various functions of the University. These functions include office space, classroom space, and storage. A summary of the University's lease agreements for the category *buildings* is as follows:

- **200 Main Street University Bookstore –** Within the scope of GASB 87, this lease agreement has a start date of 7/1/21 with a term of two years and five months. The payments for this lease are due monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $690,774 and a liability balance of $127,126 as of June 30, 2023.
- **Moton Museum –** Within the scope of GASB 87, this lease agreement has a start date of 7/1/21 and a term of three years. The payment is required monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $217,493 and a liability balance of $76,048 as of June 30, 2023.
- **University Surplus Warehouse –** Within the scope of GASB 87, this lease agreement has a start date of 7/1/21 with a term of ten years. The payment is required monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $269,310 and a liability balance of $235,807 as of June 30, 2023.
- **315 West Third Street –** Within the scope of GASB 87, this lease arrangement has a start date of 7/1/21 with a term of three years and five months. There is a monthly payment requirement. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $835,017 and a liability balance of $363,110 as of June 30, 2023.
- **University Student Wellness Center -** Within the scope of GASB statement 87, this lease arrangement has a start date of 7/1/21 with a term of nine years. The payment is due monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $960,791 with a liability balance of $781,670 as of June 30, 2023.

Land

The University has entered into various lease arrangements to lease land to be used for additional parking. A summary of the University's lease arrangements for the category *land* is as follows:

- **Vine Street** – Within the scope of GASB 87, this lease has a start date of 7/1/21 with a term of ten years. The required payment is due annually. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $77,363 with a liability balance of $61,642 as of June 30, 2023.
- **Lancer Park Parking –** Within the scope of GASB 87, this lease arrangement has a start date of 7/1/21 with a term of two years and nine months. The required payment is due monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $77,625 and a liability balance of $22,210 as of June 30, 2023.
- **North Lancer Park Parking –** Within the scope of GASB 87, this lease agreement has a start date of 11/1/21 with a term of two years. The payment is required monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $71,171 and a liability in the amount of $12,339 as of June 30, 2023.
- **106 Venable Street** – Within the scope of GASB 87, this lease agreement has a start date of 7/1/21 with a term of ten years. The payment is required monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $268,619 with a liability balance of $224,680 as of June 30, 2023.
- **Wheeler Lot Parking –** Within the scope of GASB 87, this lease agreement has a start date of 7/1/21. This lease agreement contains an automatic renewal clause stated within the contract. The University reasonably estimates that this land will be leased for ten years. The payment is required monthly. This

lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $83,813 with a liability in the amount of $70,103 as of June 30, 2023.

- **Virginia Street –** Within the scope of GASB 87, this lease agreement has a start date of 7/1/21. This lease agreement has an automatic renewal clause stated within the contract. The University reasonably estimates that this land will be leased for ten years. The payment is required monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $112,020 with a liability balance of $93,696 as of June 30, 2023.
- **Corner Lot of Putney and Virginia Street –** Within the scope of GASB 87, this lease agreement has a start date of 8/1/21. This lease agreement has an automatic renewal clause stated within the contract. The University reasonably estimates that this land will be leased for ten years. The payment is required monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $76,579 with a liability balance of $64,587 as of June 30, 2023.
- **Mid-Town Landings Lot –** Within the scope of GASB 87, this lease agreement has a start date of 7/1/21. This lease agreement has an automatic renewal clause stated within the contract. The University reasonably estimates that this land will be leased for ten years. The payment is required monthly. This lease is measured and discounted using the incremental borrowing rate of 5.33%. Accordingly, the University recognizes a right-to-use asset in the amount of $83,007 with a liability balance of $69,429 as of June 30, 2023.
- **Manor Golf Course –** Within the scope of GASB 87, this lease agreement has a start date of 8/1/21 with a term of five years. The required payment is due bi-annually. This lease is measured and discounted using an annual rate of 3.25%. Thus, the University recognizes a right-to-use asset in the amount of $931,028 and carries a liability balance in the amount of $567,301 as of June 30, 2023.
- **Town of Farmville Lease of Streets –** Within the scope of GASB 87, this lease arrangement has a start date of 7/1/21. This agreement is a memorandum of understanding with an automatic renewal clause unless sixty days' notice is given by either party. As of June 30, 2023, the University has reached out to terminate the lease agreement. As such, the University recognizes the retirement of this right-to-use asset in the amount of $68,898.

Summary of Lease Assets and Amortization

Leased Assets	Balance at 6/30/2023
Right-to-Use Assets - Buildings	2,973,386
Right-to-Use Assets - Equipment	638,505
Right-to-Use Assets - Land	1,781,226
Total Leased Assets	5,393,117

Leased Asset Amortization	
Right-to-Use Assets - Buildings	1,472,832
Right-to-Use Assets - Equipment	190,975
Right-to-Use Assets - Land	612,301
Total Accumulated Depreciation	2,276,108

Summary of Future Lease Payments as of June 30, 2023

Fiscal Year	Principal	Interest	Total	Executory Costs
2024	987,536	127,642	1,115,177	-
2025	593,500	91,874	685,375	-
2026	503,586	70,672	574,258	-
2027	303,536	51,972	355,508	-
2028	221,474	38,780	260,254	-
2029 - 2033	603,077	44,471	647,548	-
Total	**3,212,709**	**425,411**	**3,638,120**	**-**

Subscription-Based Information Technology Arrangements (SBITAs)

The University has entered into several technology agreements that qualify as a SBITA under GASB 96. A summary of each of those SBITAs is as follows:

- **Terra Dotta – International Student Services –** This contract has a start date of 7/1/22 with a term of two years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use intangible asset in the amount of $24,905 with a liability balance of $12,680 as of June 30, 2023.
- **Terra Dotta – English Bridge Program –** This contract has a start date of 7/1/22 with a term of two years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use intangible asset in the amount of $20,856 with a liability balance of $10,618 as of June 30, 2023.
- **ARMS Recruiting –** This contract has a start date of 7/1/22 with a term of two years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use intangible asset in the amount of $41,503 with a liability balance of $20,461 as of June 30, 2023.
- **Catapult Sports Performance Technology –** This contract has a start date of 7/1/22 with a term of three years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $30,160 and a liability balance of $19,179 as of June 30, 2023.

- **Rapid Insight Technology –** This contract has a start date of 7/1/22 with a term of three years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $18,569 and a liability balance of $12,389 as of June 30, 2023.
- **Skyfactor AACN Assessment –** This contract has a start date of 7/15/22 with a three-year term. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $7,964 and a liability balance of $5,235 on June 30, 2023.
- **Watermark Tk20 Online Database Management –** This contract has a start date of 7/15/22 with a term of five years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $506,206 and a liability balance of $421,454 on June 30, 2023.
- **TargetX Recruitment Suite –** This contract has a start date of 7/15/22 with a term of five years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $201,931 and a liability balance of $145,581 on June 30, 2023.
- **Blackbaud BBNC Grow Technology –** This contract has a start date of 11/1/22 with a term of two years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $14,272 and a liability balance of $7,258 on June 30, 2023.
- **ID Networks CAD –** This contract has a start date of 7/1/22 with a term of two years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $36,876 and a liability balance of $18,180 on June 30, 2023.
- **AIMS Parking Management –** This contract has a start date of 7/1/22 with a term of four years and ten months remaining. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $159,955 and a liability balance of $126,244 as of June 30, 2023.
- **IBM Corporation –** This contract has a start date of 2/2/23 with a term of one year and one month. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $43,308 and a liability balance of $3,324 on June 30, 2023.
- **Evisions Technology –** This contract has a start date of 4/1/23 with a term of three years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $183,266 and a liability balance of $120,459 on June 30, 2023.
- **Blackbaud NXT Pro –** This contract has a start date of 7/1/22 with a term of two years and six months. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $99,603 and a liability balance of $59,025 on June 30, 2023.
- **Ellucian Cloud –** This contract has a start date of 7/1/22 with a term of five years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $2,878,497 and a liability balance of $2,330,130 on June 30, 2023.
- **Rave Alert Lyme –** This contract has a start date of 12/1/22 with a term of five years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate

of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $81,491 and a liability balance of $61,194 on June 30, 2023.

- **SMS Platform –** This contract has a start date of 7/1/22 with a term of two years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $5,345 and a liability balance of $2,635 on June 30, 2023.
- **Winthrop Intelligence –** This contract has a start date of 1/11/23 with a term of three years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $46,672 and a liability balance of $30,677 on June 30, 2023.
- **Just Play Sports Technology –** This contract has a start date of 8/15/22 with a term of four years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $13,309 and a liability balance of $12,059 on June 30, 2023.
- **Cambridge Chem Draw Professional –** This contract has a start date of 1/1/23 with a term of three years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $17,493 and a liability balance of $11,498 on June 30, 2023.
- **Canvas Instructure DEC –** This contract has a start date of 5/15/23 with a term of three years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $52,544 and a liability balance of $28,790 on June 30, 2023.
- **Canvas Cloud –** This contract has a start date of 4/1/23 with a term of three years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Accordingly, the University recognizes a right-to-use asset in the amount of $34,151 and a liability balance of $17,211 on June 30, 2023.
- **SchoolSims –** This contract has a start date of 8/1/22 with a term of two years. The required payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $9,591 and a liability balance of $4,728 on June 30, 2023.
- **Canvas Instructure ITS –** This contract has a start date of 5/15/23 and a term of three years. The payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $243,589 and a liability balance of $162,517 on June 30, 2023.
- **Pluralsight Business –** The contract has a start date of 12/1/22 and a term of two years. The payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $21,906 and a liability balance of $10,800 on June 30, 2023.
- **Real Recruit –** This contract has a start date of 2/1/23 with a term of five years. The payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $47,039 and a liability of $42,314 on June 30, 2023.
- **TrackMan –** This contract has a start date of 7/1/22 with a term of six years. The payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $64,205 and a liability of $32,205 as of June 30, 2023.

- **Panopto –** This contract has a start date of 7/15/22 with a term of three years. The payment is due annually. This SBITA is measured and discounted using the incremental borrowing rate of 2.84%. Thus, the University recognizes a right-to-use asset in the amount of $121,989 and a liability balance of $81,163 as of June 30, 2023.

Summary of SBITA Intangible Assets and Amortization

Leased Assets	Balance at 6/30/2023
Right-to-Use Assets - Intangibles	5,027,194
Total Leased Assets	5,027,194
Leased Asset Amortization	
Right-to-Use Assets - Intangibles	1,019,207
Total Accumulated Depreciation	1,019,207

Summary of Future SBITA Intangible Subscription Payments as of June 30, 2023

Fiscal Year	Principal	Interest	Total
2024	1,081,843	108,118	1,189,961
2025	1,041,051	77,075	1,118,127
2026	817,527	47,914	865,441
2027	862,779	24,186	886,965
2028	6,807	193	7,000
Total	**3,810,007**	**257,486**	**4,067,494**

Finance Purchase Obligations

The University has several finance purchase obligations to finance the acquisition of equipment.

The remaining length of the first finance purchase obligation is four years. Payment on this commitment is as follows:

	Duplo Booklet Maker and Trimmer
Fiscal Year	Finance Purchase
2024	5,055
2025	5,200
2026	5,350
2027	7,477
Total	$ 23,082

The second finance purchase obligation has a remaining commitment of four years. Payment on this commitment is as follows:

Fiscal Year	VG3 Wide Format Printer Finance Purchase
2024	4,544
2025	4,675
2026	4,810
2027	6,765
Total	$ 20,794

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 on June 30, 2023, consist of the following:

Residence Hall:	Interest Rates	Maturity	Amount
2012 A 2 - Housing Facilities Ren. - 2005 Ref Portion	5.00%	2024	$ 279,822
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	1,204,353
2013 B 3 - Ren Cox Hall - 2007B Ref Portion	4.00%	2025	780,151
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	1,569,001
	Total bonds payable		$ 4,909,527

A summary of future principal and interest requirements of long-term debt for General Obligation bonds payable as of June 30, 2023, follows:

Year ending June 30	**Principal**	**Interest**
2024	1,327,285	221,783
2025	1,378,659	164,104
2026	1,116,293	106,030
2027	739,407	54,364
2028	347,883	17,394
Total	$ 4,909,527	$ 563,675
Add: Unamortized Premium	498,214	
Total	$ 5,407,741	

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:

	Interest Rates	Maturity	Amounts
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	2,665,000
2015 A - University Center	3.00 – 5.00%	2046	20,180,000
2015 B - Heating Plant III, Student Union 2009 A	3.00 – 5.00%	2029	880,000
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	2,560,000
2021 B - Refunding 2012 A - Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating plant II	0.48 - 1.00%	2025	2,770,000
	Total notes payable		$ 31,545,000

A summary of future principal and interest requirements of VCBA Pooled Notes Payable as of June 30, 2023, follows:

Year ending June 30	Principal	Interest
2024	3,210,000	1,104,525
2025	2,965,000	1,017,197
2026	2,705,000	919,194
2027	1,930,000	825,044
2028	1,490,000	751,243
2029-2033	4,670,000	3,173,031
2034-2038	5,375,000	2,298,450
2039-2043	5,495,000	1,277,103
2044-2046	3,705,000	226,300
Total	31,545,000	$11,592,087
Add: Unamortized Premium	1,307,775	
Total	$32,852,775	

12. DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources on June 30, 2023, are as follows:

Deferred Inflows - Pension	$ 7,297,908
Deferred Inflows - Other Postemployment Benefits	6,744,830
Total Deferred Inflows - Pension & OPEB	14,042,738

13. COMMITMENTS

Construction Contracts

As of June 30, 2023, outstanding commitments for capital outlay projects totaled approximately $18,461,756.

Other Contractual Agreements

The University was committed to paying Longwood University Real Estate Foundation $36,316,833 pursuant to a support agreement related to all student housing. The University was also contractually committed to payments totaling $51,822 relative to an energy performance contract, $37,784 in short-term lease agreements, and $15,208 in short-term SBITAs. The University has, as of June 30, 2023, the following total future payments due under the above agreements:

Fiscal Year	Contractual Agreements
2024	26,369,767
2025	10,031,968
2026	19,310
2027	602
Total	$ 36,421,647

14. STATE APPROPRIATIONS

During the year ended June 30, 2023, the following changes were made to the University's original operating appropriation, including supplemental appropriations received in accordance with the Virginia Acts of Assembly 2022, Special Session I, Chapter 2.

Original Appropriation:	
Educational and General Programs	$39,249,680
Student Financial Assistance	7,064,471
Supplemental Adjustments:	
VIVA	3,498
Tech Talent Investment Program	664,775
SVRTC Funds	217,810
HEETF	(54,746)
Capital Out-of-State Fee	(106,149)
Credit card rebates and interest	106,136
Items 483, 484, and 485, Chapter 2	1,874,303
Reversion	(564,435)
Adjusted Appropriations	$ 48,455,343

15. 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	Depreciation/ Amortization	Total
Instruction	$33,790,038	$ 3,318,995	$ -	$ 1,036,186	$ -	$ 38,145,219
Research	316,532	268,882	-	35,034	-	620,448
Public service	1,230,030	496,430	-	102,212	-	1,828,672
Academic support	5,630,086	1,287,559	-	625,203	-	7,542,848
Student services	3,340,314	648,130	-	88,300	-	4,076,744
Institutional support	9,865,315	1,445,112	-	833,520	-	12,143,947
Operation & maintenance of plant	3,941,557	4,609,113	-	1,537,103	-	10,087,773
Depreciation	-	-	-	-	11,797,353	11,797,353
Amortization	-	-	-	-	2,248,167	2,248,167
Student aid	-	-	7,050,427	-	-	7,050,427
Auxiliary activities	10,822,757	17,635,395	-	20,777,537	-	49,235,689
Other expenditures	-	(33,157)	-	33,157	-	-
Total	$68,936,629	$29,676,459	$ 7,050,427	$25,068,252	$14,045,520	$144,777,287

16. 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**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Same as Plan 1.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Full-time permanent, salaried state employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.		• Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** **<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.

		<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.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.

Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	**Earliest Unreduced Retirement Eligibility**	**Earliest Unreduced Retirement Eligibility** **<u>Define Benefit Component:</u>**

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. **VaLORS:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **VaLORS:** Age 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not Applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increases (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1, after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2.

unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	 **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1.	 **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2023, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rates which were based on actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $3,834,300 and $3,741,500 for the years ended June 30, 2023, and June 30, 2022, respectively. Contributions from the University to the VaLORS Retirement Plan were $160,300 and $157,800 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $219.1 million to the VRS State Plan and $19.9 million to VaLORS. These special payments were authorized by Chapter 1 of the 2022 Appropriation Act, and are classified as special employer contributions. The University's proportionate share of these special contributions were reported as nonoperating revenue in the Grants and Contracts line.

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

On June 30, 2023, the University reported a liability of $26,982,722 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,346,513 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plans for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the University's proportion of the VRS State Employee Retirement Plan was 0.595% as compared to 0.586% at June 30, 2021. At June 30, 2022, the

University’s proportion of the VaLORS Retirement Plan was 0.213% as compared to 0.208% at June 30, 2021.

For the year ended June 30, 2023, the University recognized pension expense of $881,029 for the VRS State Employee Retirement Plan and $154,929 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2021, and June 30, 2022, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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

	VRS State Employee Retirement Plan (SERP)			VaLORS	
	Deferred Outflows	Deferred Inflows		Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	-	1,784,702		15,374	7,048
Net difference between projected and actual earnings on pension plan investments	-	3,932,750		-	110,430
Change in assumptions	1,082,576	-		18,371	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	340,911	1,462,978		21,296	-
Employer contributions subsequent to the measurement date	3,834,300	-		160,300	-
Total	$5,257,787	$7,180,430		$215,341	$117,478

A total of $3,994,600 ($3,834,300 for VRS State Employee Retirement Plan (SERP) and $160,300 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	VRS SERP	VaLORS	Total
FY 2024	(2,584,236)	4,764	(2,579,472)
FY 2025	(2,249,620)	(45,373)	(2,294,993)
FY 2026	(2,783,289)	(75,828)	(2,859,117)
FY 2027	1,860,202	54,000	1,914,202
FY 2028	-	-	-

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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

	each year age and service through 9 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change.

Actuarial Assumptions – VaLORS

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

Inflation	2.5 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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and survivors:

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

Mortality Improvement:

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

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

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

Net Pension Liability

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

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

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

Long-Term Expected Rate of Return

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

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

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

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%.

Discount Rate

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

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

The following presents the University's proportionate share of the VRS State Employee Retirement Plan 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	46,114,185	26,982,722	11,126,045

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	2,048,864	1,346,513	773,910

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2023, the University had accrued retirement contributions payable to the pension plan of $270,123 including $263,009 payable to the VRS State Employee Retirement Plan and $7,114 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2023, 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 $1,749,721 for the year ended June 30, 2023. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $18,791,289 for fiscal year 2023.

Included in Accounts Payable and Accrued Expenses at June 30, 2023 are payables of $9,314 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 $161,743 for the fiscal year ended June 30, 2023.

17. 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 state 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 state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999, are automatically covered by 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 state, 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 state 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. As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. University contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

<u>Plan Provisions</u>

PMRH program
Eligible employees

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. 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 state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and University faculty members who elect the VRS defined benefit plan. 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 $8,984 effective June 30, 2023.

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. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members.

Contributions

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 3,647 retirees and 92,839 active employees in the program as of June 30, 2022. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits 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, 2023, was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the University were $114,000 and $110,800 for the years ended June 30, 2023, and June 30, 2022, 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, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI program from the University were $258,300 and $254,400 for the years ended June 30, 2023, and June 30, 2022, respectively. In June 2022, the Commonwealth made a special contribution of approximately $30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act. The University's proportionate share of this special contribution was reported in nonoperating revenues as Grant and Contract revenue.

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, 2023, 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, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the Retiree HIC program were $535,500 and $522,700 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included Chapter 1 of the 2022 Appropriation Act. The University's proportionate share of this special contribution was reported in nonoperating revenues as Grant and Contract revenue.

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, 2023, was $681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from the University were $12,300 and $14,300 for the years ended June 30, 2023, and June 30, 2022, respectively.

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

At June 30, 2023, 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 $363.4 million.

PMRH	$	2,997,453
VSDP	$	(1,097,584)
GLI	$	2,609,398
HIC	$	5,088,373
LODA	$	397,113

These VRS liabilities (assets) were measured as of June 30, 2022 and the total OPEB liability used to calculate each net liability (asset) was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The University's proportion of the PMRH OPEB liability was based on its healthcare premium contributions as a percentage of the total employer's calculated healthcare premium contributions for all participating employers, as valued and measured as of June 30, 2022. 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, 2022 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2022, the University's proportion share was:

PMRH	0.825% as compared to 0.859% at June 30, 2021
VSDP	0.372% as compared to 0.367% at June 30, 2021
GLI	0.217% as compared to 0.214% at June 30, 2021
HIC	0.621% as compared to 0.610% at June 30, 2021
LODA	0.105% as compared to 0.094% at June 30, 2021

At June 30, 2023, the University recognized the following OPEB expenses for these OPEB programs:

PMRH	$	(1,749,708)
VSDP	$	22,616
GLI	$	24,464
HIC	$	321,784
LODA	$	65,722

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, 2023, 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	$	-	$	1,368,866
	Change in assumptions		-		2,774,635
	Changes in proportionate share		129,729		536,069
	Amounts associated with transactions subsequent to measurement date		327,749		-
	Total	$	457,478	$	4,679,570
VSDP	Differences between expected and actual experience	$	110,488	$	163,388
	Net difference between projected and actual earnings on VSDP OPEB program investments		-		60,605
	Change in assumptions		6,333		21,563
	Changes in proportionate share		83,989		22,646
	University contributions subsequent to measurement date		114,000		-
	Total	$	314,810	$	268,202
GLI	Differences between expected and actual experience	$	206,631	$	104,683
	Net difference between projected and actual earnings on GLI OPEB program investments		-		163,049
	Change in assumptions		97,327		254,166
	Changes in proportionate share		58,223		287,705
	University contributions subsequent to measurement date		258,300		-
	Total	$	620,481	$	809,603
HIC	Differences between expected and actual experience	$	871	$	307,529
	Net difference between projected and actual earnings on HIC OPEB program investments		-		2,760
	Change in assumptions		170,226		2,568
	Changes in proportionate share		111,289		486,848
	University contributions subsequent to measurement date		535,500		-
	Total	$	817,886	$	799,705

LODA	Differences between expected and actual experience	$	30,509	$	74,220
	Net difference between projected and actual earnings on LODA OPEB program investments		-		1,698
	Change in assumptions		110,744		97,947
	Changes in proportionate share		78,785		13,885
	University contributions subsequent to measurement date		12,300		-
	Total	$	232,338	$	187,750

The following amounts reported as deferred outflows of resources related to the University's OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June, 30, 2024.

PMRH	$	327,749
VSDP	$	114,000
GLI	$	258,300
HIC	$	535,500
LODA	$	12,300

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
2024	$	(1,818,153)		(35,832)		(101,390)		(126,882)		12,316
2025	$	(1,228,838)		(34,408		(107,427)		(137,078)		12,352
2026	$	(759,309)		(42,644)		(195,583)		(156,422)		12,391
2027	$	(491,601)		23,399		(30,129)		(88,598)		9,047
2028	$	(251,941)		6,892		(12,893)		(8,183)		4,452
Thereafter	$	-		15,203		-		(156)		(18,270)

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, 2022. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00 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, 2022 (one year prior to the end of the fiscal year)

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.54%
Projected Salary Increases	5.35% to 3.5% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.00% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality rates	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

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

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

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

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

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

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

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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.5 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)	4.0 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

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

Inflation	2.50 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	5.25 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 — 3.69 percent, including inflation*

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

Discount Rate	No change (N/A for LODA)

Mortality rates – Teachers (GLI)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

Mortality rates – JRS Employees (GLI, HIC)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:

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

Mortality Improvement Scales:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change (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, 2022, NOL/NOA amounts for each OPEB program are as follows (amounts expressed in thousands):

	VSDP	**GLI**	**HIC**	**LODA**
Total OPEB Liability	$ 307,764	$ 3,672,085	$ 1,043,748	$ 385,669
Plan Fiduciary Net Position	602,916	2,467,989	224,575	7,214
Net OPEB Liability (Asset)	$ (295,152)	$ 1,204,096	$ 819,173	$ 378,455
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	195.90%	67.21%	21.52%	1.87%

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

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

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%.

LODA program
The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

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

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, 2022, 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, 2022, 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, 2022, 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, 2022, 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 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the University 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.

<u>Sensitivity of the University's Proportionate Share of the OPEB Liability (Asset) to Changes in the Discount Rate</u>

The following presents the University's proportionate share of the OPEB liability/(asset) for PMRH using the discount rate of 3.54%; VSDP, GLI, and HIC using the discount rate of 6.75%; and LODA using the discount rate of 3.69%. 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
		2.54%		3.54%		4.54%
PMRH	$	3,164,252	$	2,997,453	$	2,834,158
		5.75%		6.75%		7.75%
VSDP	$	(1,010,227)	$	(1,097,584)	$	(1,174,339)
GLI	$	3,796,979	$	2,609,398	$	1,649,669
HIC	$	5,713,806	$	5,088,373	$	4,551,420
		2.69%		3.69%		4.69%
LODA	$	453,301	$	397,113	$	351,145

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 8.00% 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**
		7.00% decreasing to 3.50%		8.00% decreasing to 4.50%		9.00% decreasing to 5.50%
PMRH	$	2,728,837	$	2,997,453	$	3,306,769
		6.00% decreasing to 3.75%		7.00% decreasing to 4.75%		8.00% decreasing to 5.75%
LODA	$	334,654	$	397,113	$	475,509

Fiduciary Net Position

Detailed information about Fiduciary Net Position for each of these OPEB programs, excluding PMRH, is available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VSDP, GLI and HIC OPEB programs

The amount payable outstanding on June 30, 2023, for each of these OPEB programs was as follows:

VSDP	$	5,506
GLI	$	12,021
HIC	$	18,607

18. 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, 2023, Longwood University estimates that no material liabilities will result from such audits.

19. 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.

20. PENDING LITIGATION

The University is a party to various legal actions and other claims in the normal course of business. While the 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.

21. SUBSEQUENT EVENTS

In February 2024, the University participated in the Commonwealth's General Obligation Refunding Bonds, Series 2024B, which refunded the following bond series:

2013B Refunding Bonds B1 - Housing Facilities Renovation, (2005A - Original Series of Bonds)
2013B Refunding Bonds B2 - Renovate Housing Facilities, (2006B - Original Series Bonds)
2013B Refunding Bonds B3 - Renovate Cox Hall, (2007B - Original Series of Bonds)

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, all with fiscal years ending on December 31st – 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

	LUF	LUREF	Trust	Total
Current assets:				
Cash and cash equivalents	$ 5,601,827	$ 12,534,699	$ 1,500,289	$ 19,636,815
Accounts receivable, net	-	1,100,060	-	1,100,060
Contributions receivable, net	449,869	-	-	449,869
Due from the University		7,810,183		7,810,183
Due from Component Unit	33,111	71,535	-	104,646
Prepaid expenses	452,678	117,664	3,081	573,423
Other Asset	-	575,000	-	575,000
Total current assets	$ 6,537,485	$ 22,209,141	$ 1,503,370	$ 30,249,996
Noncurrent assets:				
Restricted cash and cash equivalents	474,755	-	-	474,755
Restricted Investments	92,666,303	57,929,671	-	150,595,974
Other non-current assets	137,927	20,979,623	-	21,117,550
Notes receivable, net	265,000	-	-	265,000
Contributions receivable, net	2,488,510	-	-	2,488,510
Non-depreciable capital assets, net	6,396,622	58,859,751	-	65,256,373
Depreciable capital assets, net	56,310	154,235,803	1,382	154,293,495
Total noncurrent assets	102,485,427	292,004,848	1,382	394,491,657
Total assets	$ 109,022,912	$ 314,213,989	$ 1,504,752	$ 424,741,653

Liabilities

	LUF	LUREF	Trust	Total
Current liabilities:				
Accounts payable and accrued expenses	222,406	11,797,923	223,599	12,243,928
Line of Credit	-	862,760	-	862,760
Long-term liabilities - current portion	-	1,320,891	-	1,320,891
Total current liabilities	222,406	13,981,574	223,599	14,427,579
Noncurrent liabilities	1,117,245	326,820,382	-	327,937,627
Total liabilities	$ 1,339,651	$ 340,801,956	$ 223,599	$ 342,365,206

Net Position

	LUF	LUREF	Trust	Total
Net Investment in capital assets	6,452,932	(46,632,536)	1,382	(40,178,222)
Restricted:				
Nonexpendable:				
Permanently restricted	62,090,159	-	-	62,090,159
Expendable:				
Temporarily restricted	30,632,393	16,069,793	88,569	46,790,755
Other	-	307,722	-	307,722
Unrestricted	8,507,777	3,667,054	1,191,202	13,366,033
Total net position	$ 107,683,261	$ (26,587,967)	$ 1,281,153	$ 82,376,447

Statement of Revenues, Expenses and Changes in Net Position

	LUF	LUREF	Trust	Total
Operating revenues:				
Gifts and contributions	-	687,632	1,320,714	2,008,346
Other operating revenues	-	24,019,040	924,730	24,943,770
Total operating revenues	-	24,706,672	2,245,444	26,952,116
Operating expenses				
Institutional support	2,818,344	2,000,000	8,431,935	13,250,279
Operation and maintenance - Plant	-	9,698,562	-	9,698,562
Depreciation	-	7,096,697	398	7,097,095
Student aid	2,293,203	-	-	2,293,203
Administrative and fundraising	1,438,030	478,920	952,634	2,869,584
Other expenditures	44,210	-	98,509	142,719
Total operating expenses	6,593,787	19,274,179	9,483,476	35,351,442
Operating gain (loss)	(6,593,787)	5,432,493	(7,238,032)	(8,399,326)
Nonoperating revenues (expenses):				
Investment revenue (loss)	(9,358,109)	648,911	3,721	(8,705,477)
Interest on Capital Asset-Related Debt	-	(13,394,209)	-	(13,394,209)
Other Revenue	916,581	1,076,962	-	1,993,543
Gain (loss)on disposal/sale of plant assets	1,002,820	145,617	(99)	1,148,338
Net nonoperating revenues	(7,438,708)	(11,522,719)	3,622	(18,957,805)
Income before other revenues, expenses, gains or losses	(14,032,495)	(6,090,226)	(7,234,410)	(27,357,131)
Contributions to permanent endowments	3,058,578	-	-	3,058,578
Contributions to term endowments	2,625,373	-	-	2,625,373
Other Gifts	-	-	-	-
Net other revenues	5,683,951	-	-	5,683,951
Increase (decrease) in net position	(8,348,544)	(6,090,226)	(7,234,410)	(21,673,180)
Net position - Beginning of year	116,031,805	(20,497,741)	8,515,563	104,049,627
Net position - End of year	$ 107,683,261	$ (26,587,967)	$ 1,281,153	$ 82,376,447

Contributions Receivable

	LUF
Current Receivable	
Receivable due in less than one year	$ 449,869
Net current contributions receivable	$ 449,869
Receivable due in greater than 1 year, net of discount ($1,757,033)	2,488,510
Net noncurrent contributions receivable	2,488,510
Total contributions receivable	$ 2,938,379

Investments

	LUF
Government bonds, corporate obligations, and fixed income securities	$ 148,010
Redemption in transit	$ 2,500,000
Corporate stocks and mutual funds	$ 12,787,153
Limited partnership	$ 74,031,697
Total Investments	$ 89,466,860
Investment in LLC (at cost)	1,000,000
Beneficial interest in perpetual trust	2,199,443
Total	$ 92,666,303

Capital Assets

	LUF	LUREF	Trust	Total
Nondepreciable capital assets:				
Land	$ 1,286,854	$ 16,879,279	$ -	$ 18,166,133
Construction in progress	-	41,980,472	-	41,980,472
Art Collection	4,848,165	-	-	4,848,165
Stream and wetland credit	261,603	-	-	261,603
Total capital assets not being depreciated	$ 6,396,622	$ 58,859,751	$ -	$ 65,256,373
Depreciable capital assets:				
Buildings	$ 85,000	$ 190,518,503	$ -	$ 190,603,503
Equipment	-	6,466,930	21,299	6,488,229
Land improvements	-	14,521,378	-	14,521,378
Total capital assets being depreciated	$ 85,000	$ 211,506,811	$ 21,299	$ 211,613,110
Less accumulated depreciation	28,690	57,271,008	19,917	57,319,615
Total depreciable capital assets, net	56,310	154,235,803	1,382	154,293,495
Total capital assets, net	$ 6,452,932	$ 213,095,554	$ 1,382	$ 219,549,868

Long-Term Liabilities

Longwood University Foundation

The noncurrent liabilities amount of $1,117,245 at December 31, 2022, is comprised of $847,252 amounts payable to third-party beneficiaries and $269,993 annuities payable.

Longwood University Real Estate Foundation

Long-term debt is as follows on December 31, 2022:

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 $4,600,002 and $4,747,974 at December 31, 2022, and 2021, respectively.	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 $32,478 and $46,675 at December 31, 2022, and 2021, respectively.	6,740,000
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 $4,690,852 and$4,872,942 at December 31, 2022, and 2021, respectively.	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 $356,272 and $388,660 at December 31, 2022, and 2021, respectively.	13,095,000
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2021, total principal payments due each year of increasing amounts through maturity on July 1, 2053. The interest rate is fixed at 5.375%.	49,900,000
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.	2,285,421
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.	258,213
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.	166,998
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.	214,276
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.	605,246
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	6,954,256
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. Paid in full on March 25, 2022.	2,289,326
Deed of trust note payable, 4.75%, due in monthly payments of principal and interest of $6,043.49, maturing November 9, 2025. Collateralized by the property 3565 W Third Street and 106 Venable Street.	932,657
	$ 325,976,393
(Discount) Premium, net	8,902,104
Less - loan costs, net	(6,737,224)
Less - current portion	(1,320,891)
	$ 326,820,382

Maturities under long-term debt are as follows:

2023	1,320,891
2024	4,291,709
2025	3,605,660
2026	3,301,730
2027	3,944,918
Thereafter	309,511,485
Total	$ 325,976,393

In March 2021, the LUREF received $49,900,000 in financing through the Industrial Development Authority (IDA) of the Town of Farmville, Virginia with the issuance of Educational Facilities Revenue Bonds (Convocation Center Project) Series 2021. The purpose of the bonds is to finance a multipurpose special events and convocation center, including the relocation of tennis courts, all for the benefit of Longwood University. The bonds are scheduled to mature July 1, 2053 and have a fixed rate of 5.375% payable semi-annually in January and July.

The Series 2020 and 2018 bonds were both issued through the IDA of Farmville with the purpose of financing the acquisition, development, construction, and rehabilitation of student housing facilities. The Series 2020 bonds, in the amount of $134,720,000, were used to refund Series 2017 bonds, which financed the renovation of student housing facilities, finance the rehabilitation of four existing student housing facilities, and pay off debt collateralized by property known as Riverview, LLC.

The 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 semiannually in January and July.

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. These accounts are disclosed in Note 5 of the Longwood University Real Estate Foundation's financial statements. The student housing facilities bonds (Series 2020 and 2018) 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 Foundation, the Deed of Trust, and all monies and securities held in required reserve accounts.

The Support Agreement requires the projects to 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 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 Foundation for use of the projects. The University provides all personnel for resident advisory, public safety, education staffing, maintenance, grounds, and housekeeping and janitorial services, and bills the Foundation for these costs. The Foundation 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.

Under the bonds, the Foundation is required to meet certain debt coverage ratios. As of December 31, 2022 and 2021, Foundation management believes the Foundation 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, including land, were $1,343,164 and $1,345,289 at December 31, 2022, and 2021 respectively.

For the years ended December 31, 2022, and 2021, the Foundation recognized $617,042 and $532,453, respectively, 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, 2022, and 2021, totaled $1,889,805 and $1,916,009, respectively, 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 ending December 31:

	University Related	Commercial	Total
2023	854,699	424,613	1,279,312
2024	510,413	276,635	787,048
2025	187,732	201,127	388,859
2026	187,732	199,928	387,660
2027	187,732	134,657	322,389
	$ 1,928,308	$ 1,236,960	$ 3,165,268

Outstanding receivables for rent from the University on December 31, 2022, and 2021, were $7,755,431 and $3,778,429, respectively, exclusive of the lease table above.

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 2022 and 2021 were $1,140,935 and $1,717,307, respectively.

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 consolidated statement of activities of the Longwood University Trust 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, 2022, the Organization received funds totaling $419,935 and $590,383, to be disbursed to the Foundation and LUREF, respectively. As of December 31, 2022, funds totaling $36,470 and $71,535, 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, 2022.

As of December 31, 2022, the Organization also had amounts payable to the University totaling $92,882, 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 $689,673, which has been reflected in the program, management and general, and fundraising expenses on the statement of revenues, expenses, and changes in net position.

Component Unit Subsequent Events

Longwood University Real Estate Foundation

In June 2023, the Foundation sold the property known as Woodland Pond Condominiums for $2.5 million and simultaneously paid off debt collateralized by the property in the amount of $2.2 million.

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, 2023-2015

	Employer's Proportion of net pension liability (Asset)	Employer's Proportionate share of net pension liability (Asset)	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
2023	0.59%	$ 26,982,722	$ 27,431,099	98.37%	83.26%
2022	0.59%	21,266,448	24,191,563	87.91%	86.44%
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, 2023-2015

	Employer's Proportion of net pension liability (Asset)	Employer's Proportionate share of net pension liability (Asset)	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
2023	0.21%	$ 1,346,513	$ 720,583	186.87%	74.41%
2022	0.21%	1,082,808	723,744	149.61%	78.18%
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 nine 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, 2023-2015					
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**
2023	$ 3,834,300	$ 3,834,300	-	$ 28,441,301	13.48%
2022	3,741,500	3,741,500	-	27,431,099	13.64%
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, 2023-2015					
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**
2023	$ 160,300	$ 160,300	-	$ 651,577	24.60%
2022	157,800	157,800	-	720,583	21.90%
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 nine 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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

VRS - State Employee Retirement Plans (SERP):

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

VaLORS Retirement Plan:

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

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, 2023-2018*

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	2023	0.22%	$ 2,609,398	$ 47,111,111	5.54%	67.21%
GLI	2022	0.21%	2,489,911	44,129,630	5.64%	67.45%
GLI	2021	0.23%	3,927,439	48,433,269	8.11%	52.64%
GLI	2020	0.24%	3,925,455	47,307,692	8.30%	52.00%
GLI	2019	0.25%	3,726,000	46,098,868	8.08%	51.22%
GLI	2018	0.24%	3,598,000	43,924,000	8.19%	48.86%
HIC	2023	0.62%	$ 5,088,373	$ 47,026,786	10.82%	21.52%
HIC	2022	0.61%	5,148,489	43,633,929	11.80%	19.75%
HIC	2021	0.67%	6,164,044	48,376,410	12.74%	12.02%
HIC	2020	0.69%	6,401,684	47,264,957	13.54%	10.56%
HIC	2019	0.69%	6,307,000	45,750,000	13.79%	9.51%
HIC	2018	0.68%	6,208,000	43,924,000	14.13%	8.03%
VSDP	2023	(0.37%)	$ (1,097,584)	$ 17,114,754	(6.41%)	195.90%
VSDP	2022	(0.37%)	(1,266,089)	15,918,033	(7.95%)	229.01%
VSDP	2021	(0.40%)	(887,851)	17,433,548	(5.09%)	181.88%
VSDP	2020	(0.43%)	(839,637)	17,457,627	(4.81%)	167.18%
VSDP	2019	(0.43%)	(974,000)	16,231,884	(6.00%)	194.74%
VSDP	2018	(0.42%)	(856,000)	16,322,000	(5.24%)	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 six 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	2023	0.82%	$ 2,997,453	$ 41,848,275	7.16%
PMRH	2022	0.86%	3,858,019	39,362,792	9.80%
PMRH	2021	0.88%	4,996,810	40,969,280	12.20%
PMRH	2020	0.88%	6,002,288	39,868,400	15.06%
PMRH	2019	0.88%	8,810,802	39,423,120	22.35%
PMRH	2018	0.85%	11,068,862	39,272,640	28.18%

* *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 six 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	2023	0.10%	$ 397,113	$ 663,770	59.83%	1.87%
LODA	2022	0.09%	413,562	661,538	62.52%	1.68%
LODA	2021	0.09%	391,508	756,190	51.77%	1.02%
LODA	2020	0.10%	358,463	807,453	44.39%	0.79%
LODA	2019	0.09%	284,000	731,927	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 six 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, 2023-2018						
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	2023	$ 258,300	$ 258,300	-	$ 47,833,333	0.54%
GLI	2022	254,400	254,400	-	47,111,111	0.54%
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	2023	$ 535,500	$ 535,500	-	$ 47,812,500	1.12%
HIC	2022	526,700	526,700	-	$ 47,026,786	1.12%
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	2023	$ 12,300	$ 12,300	-	$ 626,207	1.96%
LODA	2022	14,300	14,300	-	663,770	2.15%
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	2023	$ 114,000	$ 114,000	-	$ 18,688,525	0.61%
VSDP	2022	104,400	104,400	-	17,114,754	0.61%
VSDP	2021	97,100	97,100	-	15,918,033	0.61%
VSDP	2020	108,088	108,088	-	17,433,548	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 six 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, 2021 valuation based on recent experience:

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

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

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

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

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

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

Discount Rate	No change (N/A for LODA)

Teachers (GLI)

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

SPORS Employees (GLI, HIC, LODA, VSDP)

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

VaLORS Employees (GLI, HIC, LODA, VSDP)

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

JRS Employees (GLI, HIC)

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

Largest Ten Locality Employers - General Employees (GLI)

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

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

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

Largest Ten Locality Employers – Hazardous Duty Employees (GLI)

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

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

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

Largest Ten Locality Employers with Public Safety Employees (LODA)

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.

Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 26, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Longwood University

Taylor Reveley, IV, President
Longwood University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

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

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

We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 22. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of Matters

Change in Accounting Principle

As discussed in Notes 2, 7, and 10 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), related to accounting and financial reporting for subscription liabilities and right-to-use subscription assets. Our opinions are not modified with respect to this matter.

Correction of 2022 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2022 financial statements have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 3 through 16; the Schedule of University's Share of Net Pension Liability, the Schedule of University's Pension Contributions, and the Notes to the Required Supplementary Information for Pension Plans on pages 96 through 98; the Schedules of University's Share of Other Post-Employment Benefits (OPEB) Liabilities (Assets), the Schedule of University's OPEB Contributions, and the Notes to the Required Supplementary Information for OPEB Plans for the Health Insurance Credit, Group Life Insurance, Disability Insurance, Line of Duty, and Pre-Medicare Retiree Healthcare programs, as applicable, on pages 99 through 105. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

AVC/clj

LONGWOOD UNIVERSITY

Farmville, Virginia

as of June 30, 2023

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