Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE
Torgerson Hall, Room 2100
April 8, 2024
9:30 am

<u>**Closed Session**</u>

Committee Members Present: Dave Calhoun (chair), Carrie Chenery, Nancy Dye, Tish Long, Chris Petersen, Jeff Veatch

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Greta Harris, John Rocovich

Virginia Tech Personnel: Whit Babcock, Cyril Clarke, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Randy Heflin, Kay Heidbreder, Sharon Kurek, Ken Miller, Justin Noble, Kim O'Rourke, Sharon Pitt, Timothy Sands, Amy Sebring

1. **Motion to Begin Closed Session:** Committee member Jeff Veatch moved to begin closed session at 9:30am.

2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.

3. **Internal Audit Reports:** The following confidential internal audit reports were issued by the Office of Audit, Risk, and Compliance (OARC) since the November board meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

    a. Agricultural Research and Extension Centers: The audit received a rating of improvements are recommended. Low priority recommendations of a less significant nature were noting regarding sponsored research, wage payroll, expenditures, fixed asset management, and information technology.

b. College of Veterinary Medicine Policy Compliance Review: The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of fiscal responsibility, leave reporting, P-14 appointments, expenditures, fixed assets management, information technology, and state vehicle management.

c. IT Policy Compliance Reviews: This engagement was a focused review regarding a standard set of IT compliance requirements that was not conducted last year during the university's risk assessment and classification activities. Both University Advancement and the Innovation Campus were assessed as improvements are recommended while Athletics was assessed as unreliable.

4. **Discussion on Legal Compliance Risk:** The Committee discussed legal and compliance risks related to an investigation.

5. **Discussion with the Chief Audit Executive:** The Chief Audit Executive discussed employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation involved discussion of the performance of specific individuals.

6. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President discussed employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation involved discussion of the performance of specific individuals.

7. **Motion to End Closed Session:** Committee member Carrie Chenery moved to end closed session at 10:58am.

<u>Open Session</u>

Committee Members Present: Dave Calhoun (chair), Carrie Chenery, Nancy Dye, Tish Long, Chris Petersen, Jeff Veatch

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Greta Harris, John Rocovich, Janice Austin, LaTawnya Burleson, Will Storey, Emily Tirrell

Virginia Tech Personnel: Lynsay Belshe, Eric Brooks, Brock Burroughs, Cyril Clarke, Al Cooper, Corey Earles, Juan Espinoza, Ron Fricker, Clifton Gaines, Suzanne Griffin, Chelsea Haines, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Tim Hodge, Frances Keene, Sharon Kurek, Lu Liu, Nancy Meacham, Ken Miller, Justin Noble, Kim O'Rourke, Mark Owczarski, Sharon Pitt, Timothy Sands, Amy Sebring, Brennan Shepard, Ken Smith, Aimée Surprenant, Rob Viers, Tracy Vosburgh, Michael Walsh, Melinda West

Guests: Kiera Schneiderman

1. **Welcome and Acceptance of Agenda:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks and asked for acceptance of the Open Session agenda.

2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.

    a. **Minutes from the November 5, 2023 Meeting:** The Committee reviewed and approved the minutes of the November 5, 2023 meeting.

    b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of September 30, 2023, the university had 13 open recommendations. One audit comment was issued during the second quarter of the fiscal year. As of December 31, 2023, the university had addressed three comments, leaving 11 open recommendations in progress.

    c. **Audit Plan Status Report:** The committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) has completed 39 percent of its audit plan, and 81 percent is underway, in accordance with the fiscal year 2023-24 annual audit plan.

d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the November 5, 2023 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

i. Commonwealth Cyber Initiative: The audit received a rating of improvements are recommended. An observation was noted regarding reporting requirements related to seed grants.

ii. Controller's Office: Fixed Assets: The audit received an effective rating. A low-priority recommendation was noted regarding unclear procedure language related to final reports issued to departments.

iii. Data Analytics: Sponsored Equipment Purchases: The audit received a rating of improvements are recommended. An observation was noted regarding purchases that occurred near or after the award expiration.

iv. Facilities Management: The audit received a rating of improvements are recommended. An observation was noted regarding the Division of Student Affairs (DSA) warehouse inventory management. An additional low priority recommendation of a less significant nature was noted regarding DSA warehouse security.

e. **Auditor of Public Accounts Financial Statement Audit:** The Committee received a report on the Auditor of Public Accounts (APA) audit of the university's financial statements for the fiscal year ended June 30, 2023. During the audit, the APA found the financial statements were presented fairly in all material respects, and there were no internal control findings requiring management's attention.

3. **Financial Resource Management:** The Committee received a presentation on the university's financial resource management related to financial and liquidity risk management.

4. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the November 5, 2023 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable

implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

a. Gramm-Leach-Bliley Act Compliance: The audit received a rating of improvements are recommended. An observation was noted regarding third-party service provider management for GLBA compliance. A low priority recommendation of a less significant nature was noted regarding security awareness training.

b. Strategic Enrollment Reporting: The audit received an effective rating.

5. **Discussion of Future Topics:** Mr. Dave Calhoun requested topics to be covered in future meetings from the Committee and adjourned the meeting at 11:45 a.m.

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

Torgersen Board Room, Room 2100
April 8, 2024
9:30 a.m.

	Agenda Item	**Reporting Responsibility**
1.	Motion to Begin Closed Session	Committee Member
2.	Update on Fraud, Waste, and Abuse Cases	Ryan Hamilton Sharon Kurek
3.	Internal Audit Reports a. Agricultural Research and Extension Centers b. College of Veterinary Medicine Policy Compliance Review c. IT Policy Compliance Reviews	Justin Noble
4.	Discussion on Legal Compliance Risk	Kay Heidbreder Suzanne Griffin
5.	Discussion with the Chief Audit Executive	Justin Noble
6.	Discussion with the Vice President for Audit, Risk, and Compliance & Chief Risk Officer	Sharon Kurek
7.	Motion to End Closed Session	Committee Member

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

Torgersen Board Room, Room 2100
April 8, 2024
10:30 a.m.

		<u>Agenda Item</u>	**Reporting <u>Responsibility</u>**
	1.	Welcome and Acceptance of Agenda	David Calhoun
	2.	Consent Agenda	David Calhoun
		a. Minutes from the November 5, 2023 Meeting	
		b. Update of Responses to Open Internal Audit Comments	
		c. Audit Plan Status Report	
		d. Internal Audit Reports	
		i. Commonwealth Cyber Initiative	
		ii. Controller's Office: Fixed Assets	
		iii. Data Analytics: Sponsored Equipment Purchases	
		iv. Facilities Management	
		e. Auditor of Public Accounts Financial Statement Audit	
#	3.	Enterprise Risk Discussion: Financial Resource Management	Ken Miller Tim Hodge
	4.	Internal Audit Reports	Justin Noble
		a. Gramm-Leach-Bliley Act Compliance	
		b. Strategic Enrollment Reporting	
	5.	Discussion of Future Topics	David Calhoun

 # Discusses Enterprise Risk Management topic(s).

Welcome and Acceptance of Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 8, 2024

The Chair of the Compliance, Audit, and Risk Committee
will offer welcoming remarks
and ask for acceptance of the Open Session agenda.

Consent Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 8, 2024

The Committee will consider for approval and acceptance the items listed on the Consent Agenda.

a. Minutes from the November 5, 2023 Meeting
b. Update of Responses to Open Internal Audit Comments
c. Audit Plan Status Report
d. Internal Audit Reports
    i. Commonwealth Cyber Initiative
    ii. Controller's Office: Fixed Assets
    iii. Data Analytics: Sponsored Equipment Purchases
    iv. Facilities Management
e. Auditor of Public Accounts Financial Statement Audit

Update of Responses to Open Internal Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2023

As part of the internal audit process, university management participates in the opening and closing conferences and receives copies of all final audit reports. The audited units are responsible for implementing action plans by the agreed upon implementation dates, and management is responsible for ongoing oversight and monitoring of progress to ensure solutions are implemented without unnecessary delays. Management supports units as necessary when assistance is needed to complete an action plan. As units progress toward completion of an action plan, the Office of Audit, Risk, and Compliance (OARC) performs a follow-up visit within two weeks after the target implementation date. OARC is responsible for conducting independent follow up testing to verify mitigation of the risks identified in the recommendation and formally close the recommendation. As part of management's oversight and monitoring responsibility, this report is provided to update the Compliance, Audit, and Risk Committee on the status of outstanding recommendations. Management reviews and assesses recommendations with university-wide implications and shares the recommendations with responsible administrative departments for process improvements, additions or clarification of university policy, and inclusion in training programs and campus communications. Management continues to emphasize the prompt completion of action plans.

The report includes outstanding recommendations from compliance reviews and audit reports. Consistent with the report presented at the November Board meeting, the report of open recommendations includes three attachments:

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open medium and high priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 100 percent on-schedule rate for fiscal year 2024 reflects closing 9 of 9 recommendations by the original target date.

The report presented at the November 5, 2023 meeting covered audit reports reviewed and accepted through September 30, 2023 and included 13 open medium and high priority recommendations. Activity for the quarter ending December 31, 2023 resulted in the following:

Open recommendations as of Sept 30, 2023	13
Add: medium and high priority recommendations accepted Nov 5, 2023	1
Subtract: recommendations addressed since Sept 30, 2023	3
Remaining open recommendations as of Dec 31, 2023	11

While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through March 22, 2024, OARC has closed four of the 11 remaining open medium and high priority recommendations. All other remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work conjointly with all units and provides assistance as needed to help with timely completion of action plans.

ATTACHMENT A

Open Recommendations by Priority Level

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2023

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
Feb 28, 2023	IT: Advanced Research Computing	23-1638	1	-	-	-	-	1	1
Feb 28, 2023	College of Engineering	23-1651	1	-	-	-	-	1	1
Mar 03, 2023	Licensing and Trademarks	23-1641	1	-	-	-	-	1	1
May 19, 2023	Athletics	23-1650	3	1	-	-	1	1	2
Jun 28, 2023	College of Natural Resources and Environment	23-1627	2	-	-	-	-	2	2
Jul 06, 2023	Human Resources Administration	23-1637	4	1	-	-	2	1	3
Oct 20, 2023	Virginia Tech Electric Service	23-1649	1	-	-	-	-	1	1
Totals:			**13**	**2**	**-**	**-**	**3**	**8**	**11**

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2023

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised / Current		
Jun 28, 2023	1	23-1627	College of Natural Resources and Environment	Lab Safety Training	Medium		Jan 31, 2024		1	
Jun 28, 2023	2	23-1627	College of Natural Resources and Environment	Labor Cost Transfers	Medium		Jan 31, 2024		1	
May 19, 2023	3	23-1650	Athletics	Leave Reporting	Medium		Jan 31, 2024		1	
Feb 28, 2023	4	23-1638	IT: Advanced Research Computing	Cluster Security and Management	Medium		Mar 01, 2024		1	
Mar 03, 2023	5	23-1641	Licensing and Trademarks	Monitoring Royalty Payments	Medium		Apr 01, 2024		2	
Jul 06, 2023	6	23-1637	Human Resources Administration	Employment Eligibility Verification	High		May 31, 2024		2	
Jul 06, 2023	7	23-1637	Human Resources Administration	Wage Appointments	Medium		May 31, 2024		2	
Jul 06, 2023	8	23-1637	Human Resources Administration	Data Integrity	High		Jun 30, 2024		2	
May 19, 2023	9	23-1650	Athletics	Fixed Asset Management	High		Jun 30, 2024		2	
Feb 28, 2023	10	23-1651	College of Engineering	Information Technology	Medium		Jun 30, 2024		2	
Oct 20, 2023	11	23-1649	Virginia Tech Electric Service	Information Technology Controls	Medium		Jun 30, 2024		2	

Follow Up Status

1 Management confirmed during follow up discussions with OARC that actions are occurring and the target date has been or will be met. OARC will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.

2 Target date is beyond current calendar quarter. Management has follow-up discussions with the auditor to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

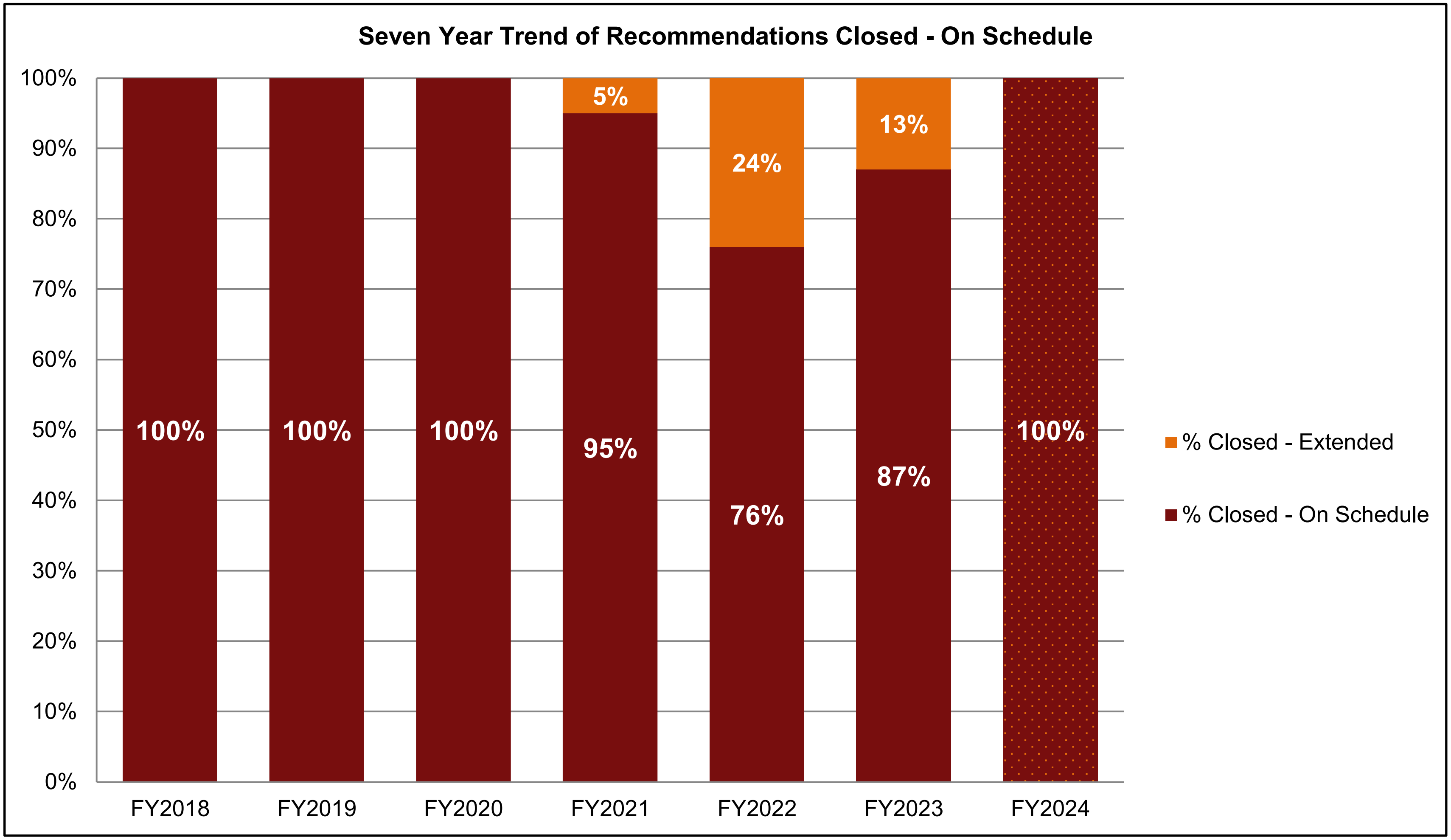
For Open Detail Report: “current calendar quarter” is used to refer to the current working quarter instead of the quarter being reported on.

ATTACHMENT C

Management Performance and Trends Regarding
Office of Audit, Risk, and Compliance Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2023



Audit Plan Status Report

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 8, 2024

Audit Plan Update

Audits were performed in accordance with the fiscal year 2023-24 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the November board meeting 10 planned projects have been completed including seven risk-based audits, two policy compliance reviews, and one advisory project. The advisory engagement was related to the management of electronic signatures. Additionally, one project regarding Parking Services and their permitting processes has been added to the audit plan.

Fifteen projects are currently underway, including:

- Eleven risk-based projects: Aerospace and Ocean Engineering, Capital Campaign Processes and Reporting, Chemistry, Data Analytics: Travel Compliance Monitoring, Global Education Office/Visiting Scholars, Institute for Critical Technology and Applied Science, IT: Distributed Software Development Practices, IT: Inventory and Classification, Parking Services – Permitting Processes, Real Estate Management, and Student Wellness and Counseling.
- Three policy compliance reviews: College of Agricultural and Life Sciences, College of Architecture, Arts, and Design, and Vice President for Student Affairs.
- One advisory project: Athletics IT Security & Data Privacy.

Further, two planned engagements, Athletics and HR – Hiring/Onboarding, have been canceled since the November board meeting due to an anticipated reduction of available hours as a result of employee turnover.

In fiscal year 2023-24, OARC has completed 39 percent of its audit plan as depicted below.

FY 2023-24 Completion of Audit Plan

Audits	
Total # of **Audits** Planned	33
Total # of Supplemental **Audits**	2
Total # of Carry Forwards	4
Total # of Planned **Audits** Canceled or Deferred	3
Total **Audits** in Plan as Amended	36
Total **Audits** Completed	14
Audits - Percentage Complete	39%
Audits - Percentage Complete or Underway	81%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 8, 2024

Background

This report provides a summary of audit ratings issued this period and the full rating system definitions. The following reviews have been completed during this reporting period. The Office of Audit, Risk, and Compliance has made a concerted effort to ensure progress on the annual audit plan.

Consent Agenda Reports	**Rating**
Commonwealth Cyber Initiative	Improvements are recommended
Controller's Office: Fixed Assets	Effective
Data Analytics: Sponsored Equipment Purchases	Improvements are recommended
Facilities Management	Improvements are recommended
Reports for Discussion	**Rating**
Gramm-Leach-Bliley Act Compliance	Improvements are recommended
Strategic Enrollment Reporting	Effective

Summary of Audit Ratings

The Office of Audit, Risk, and Compliance's rating system has four tiers from which to assess the controls designed by management to reduce exposures to risk in the area being audited. The auditor can use professional judgment in constructing the exact wording of the assessment in order to capture varying degrees of deficiency or significance.

Definitions of each assessment option

Effective – The audit identified opportunities for improvement in the internal control structure, but business risks are adequately controlled in most cases.

Improvements are Recommended – The audit identified occasional or isolated business risks that were not adequately or consistently controlled.

Significant or Immediate Improvements are Needed – The audit identified several control weaknesses that have caused, or are likely to cause, material errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management should undertake immediate corrective actions to mitigate the associated business risk and possible damages to the organization.

Unreliable – The audit identified numerous significant business risks for which management has not designed or consistently applied controls prior to the audit. Persistent and pervasive control weaknesses have caused or could cause significant errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management must undertake immediate corrective actions to bring the situation under control and avoid (additional) damages to the organization.

RECOMMENDATION:

That the internal audit reports listed above be accepted by the Compliance, Audit, and Risk Committee.

April 8, 2024

Attachment I

VIRGINIA TECH

2022-2023 ANNUAL

FINANCIAL REPORT

CONTENTS

University Highlights

For the years ended June 30, 2019 through 2023

	2018-19 (1)	2019-20	2020-21 (3)	2021-22	2022-23
Student admissions					
Applications received, including transfers					
Undergraduate	35,002	34,769	33,538	44,936	48,211
Graduate	7,523	7,376	7,445	7,448	8,498
Offers, as a percentage of applications					
Undergraduate	63.6%	69.2%	65.7%	55.8%	57.0%
Graduate	43.5%	48.4%	57.6%	59.5%	48.0%
New enrollment, as a percentage of offers					
Undergraduate	32.9%	36.4%	35.5%	30.5%	29.7%
Graduate	49.3%	48.2%	37.4%	45.0%	44.8%
Total student enrollment *(head count)*					
Enrollment by classification					
Undergraduate	27,811	29,300	30,020	29,760	30,434
Graduate and first professional	7,039	7,083	7,004	7,519	7,736
Enrollment by campus					
Blacksburg campus	32,704	34,131	24,878	34,656	35,593
National Capital Region	768	980	752	871	715
Other off-campus locations	1,378	1,272	11,394	1,752	1,862
Enrollment by residence					
Virginia	22,925	23,762	24,479	23,619	23,722
Other states	8,079	8,589	8,998	9,966	10,564
Other countries	3,846	4,032	3,547	3,694	3,884
Degrees conferred					
Undergraduate (first majors)	6,835	6,832	7,393	7,290	8,076
Graduate and first professional	2,130	2,159	2,084	2,117	2,568
Faculty and staff (2)					
Full-time instructional faculty	1,948	2,050	2,068	2,082	2,135
Other faculty and research associates	2,783	2,914	2,888	2,953	3,155
P14 faculty/part-time faculty	231	228	232	249	263
Support staff	3,433	3,471	3,380	3,257	3,276
Total faculty and support staff	8,395	8,663	8,568	8,541	8,829
Percent of instructional faculty tenured	54%	51%	53%	51%	50%

(1) 2018-19 and subsequent years' data includes Virginia Tech Carilion School of Medicine.
(2) 2018-19 Faculty and staff definitions updated to align with Integrated Postsecondary Education Data System (IPEDS) guidelines.
(3) 2020-21 admissions, enrollments, and course delivery options were affected as a result of the COVID-19 pandemic.

Financial Highlights

For the years ended June 30, 2019 through 2023
(all dollars are in millions; square feet in thousands)

	2018-19	2019-20	2020-21 *(restated)*	2021-22 *(restated)*	2022-23
Revenues, expenses, and changes in net position					
Operating revenues	$ 1,160.4	$ 1,188.8	$ 1,162.3	$ 1,311.6	$ 1,443.3
Operating expenses	1,467.9	1,549.8	1,509.5	1,637.2	1,824.8
Operating loss [1]	(307.5)	(361.0)	(347.2)	(325.6)	(381.5)
Non-operating revenues and expenses [1]	360.0	382.4	517.8	436.1	545.2
Other revenues, expenses, gains, or losses	78.0	101.1	130.3	199.7	212.9
Net increase in net position	$ 130.5	$ 122.5	$ 300.9	$ 310.2	$ 376.6
University net position					
Net investment in capital assets	$ 1,326.1	$ 1,437.6	$ 1,521.3	$ 1,705.6	$ 1,891.2
Restricted	$ 214.9	$ 213.5	$ 251.7	$ 259.1	$ 322.6
Unrestricted	$ (150.7)	$ (135.6)	$ 42.1	$ 160.6	$ 288.1
Assets and facilities					
Total university assets	$ 2,757.2	$ 2,889.4	$ 3,291.9	$ 3,578.1	$ 4,168.4
Capital assets, net of accumulated depreciation and amortization	$ 1,786.0	$ 1,936.1	$ 2,112.5	$ 2,292.4	$ 2,636.5
Facilities—owned gross square feet	11,735	11,855	12,273	12,373	12,530
Facilities—leased square feet	2,204	2,273	2,134	2,146	2,407
Sponsored programs					
Number of awards received	2,364	2,391	2,328	2,097	2,311
Value of awards received	$ 323.7	$ 367.7	$ 349.3	$ 390.3	$ 458.1
Research expenditures reported to NSF [2]	$ 542.0	$ 556.3	$ 542.0	$ 592.0	N/A
Virginia Tech Foundation					
Gifts and bequests received	$ 137.0	$ 163.5	$ 177.0	$ 203.3	$ 136.1
Expended in support of the university	$ 170.0	$ 180.7	$ 155.8	$ 242.2	$ 220.6
Total assets and managed funds	$ 2,107.1	$ 2,266.0	$ 2,687.6	$ 2,667.8	$ 2,838.3
Endowments *(at market value)*					
Owned by Virginia Tech Foundation (VTF)	$ 970.1	$ 932.4	$ 1,184.7	$ 1,167.3	$ 1,314.0
Owned by Virginia Tech (held with VTF)	378.4	397.0	495.6	507.9	575.9
Managed by VTF under agency agreements	9.5	8.5	10.1	9.6	10.0
Total endowments supporting the university	$ 1,358.0	$ 1,337.9	$ 1,690.4	$ 1,684.8	$ 1,899.9
Student financial aid					
Number of students receiving selected types of financial aid					
Loans	13,075	13,267	13,140	12,894	13,195
Grants, scholarships, and waivers	19,484	20,548	20,606	20,179	23,478
Employment opportunities	12,717	12,430	9,747	11,693	12,390
Total amounts by major category					
Loans	$ 191.9	$ 200.2	$ 202.4	$ 206.5	$ 226.5
Grants, scholarships, and waivers	227.7	243.5	251.0	265.9	289.0
Employment opportunities	92.3	94.7	94.4	101.6	122.9
Total financial aid	$ 511.9	$ 538.4	$ 547.8	$ 574.0	$ 638.4

(1) The university will always be expected to show an operating loss since significant recurring revenues are shown as non-operating. Major revenue sources reported as non-operating include state appropriations, gifts, and investment income. These revenue sources are used for general operations in support of the learning, discovery, and engagement missions of the university.

(2) Total research expenditures reported to the National Science Foundation for the current year were not available at publication date.

Message from the Executive Vice President and Chief Operating Officer

Since arriving at Virginia Tech in the late fall of 2022, I have had the opportunity to experience firsthand the energy and focus driving the university towards its bold strategic objectives. In 2019 the university released its strategic plan, which continues to guide our direction. Over the past year, President Tim Sands further refined that direction into two major strategic commitments:

- Achieving the *Virginia Tech Global Distinction,* which positions us as a leading land-grant research institution to attract the best faculty, staff, and students as we seek to solve complex problems across local, state, national, and global communities.
- Delivering on the promise of the *Virginia Tech Advantage,* a university-wide, multiyear commitment to offer the full Virginia Tech experience to Virginia-resident students regardless of income, underserved or underrepresented status.

Amy Sebring
Executive Vice President and Chief Operating Officer

Both of these commitments are rooted in the university's motto of *Ut Prosim* (That I May Serve) and will require deliberate alignment of existing resources as well as new investments to meet the objectives. Maintaining and cultivating a strong financial position will be important to our success in reaching those goals. So, I am pleased to report that Virginia Tech ended fiscal year 2023 (FY23) financially stronger and well positioned as the university works to achieve these goals.

In FY23, the university's total (operating and non-operating) revenue increased 13.8 percent over the prior year to $1.99 billion, with total expenses growing 12.1 percent to $1.61 billion, resulting in a net increase in net position of $376.6 million or 17.7 percent. The market value of total endowments supporting the university grew 12.8 percent, while total assets and managed funds of the Virginia Tech Foundation grew 6.4 percent. Total sponsored program awards grew 10.2 percent, while the value of those awards grew 17.4 percent. And the number of students receiving grants, scholarships, and waivers grew 16.3 percent while the total value of those awards grew 8.7 percent, reflecting Virginia Tech's commitment to supporting students with need.

Continued strength in our financial position reflects clearly that demand for a Virginia Tech education remains robust and continues to grow despite national trends of flattening and declining enrollment. An historic high of 45,214 first-year applications were received for fall 2022, an increase of seven percent over the previous year and another indicator of the university's sustained success in outreach and engagement with prospective students. Both applications and enrollment at the Innovation Campus, the university's ambitious initiative to deliver advanced degrees in computer science and computer engineering in support of the state's Tech Talent initiative, continue to climb. We expect that trend to accelerate as we open the new 11-story, 300,000 sq. ft. Academic Building One in Alexandria, Virginia in the fall of 2024.

Over the last year, the university also achieved a significant strategic plan milestone with 40 percent of the entering class from underrepresented minority (URM) or underserved student (USS) populations – including Pell-eligible students, first-generation students, and veterans. Overall enrollment for the 2022-23 academic year totaled 30,434 undergraduate students and 7,063 graduate students, both slight increases from the prior year. Also, Virginia Tech's Innovation Campus programs remain on track to be among the most diverse computer science programs in the nation.

Part of our success in attracting underserved student populations is attributable to increased state funding for need-based financial aid which grew by over $5 million in FY23. Virginia Tech's support for access and affordability for economically disadvantaged students saw the university jump 130 spots in U.S. News & World Report's 2023 Top Performers for Social Mobility rankings. Looking ahead, Virginia Tech's commitment to the *Virginia Tech Advantage* will accelerate our ability not only to provide financial support to qualified Virginia students who would not otherwise be able to attend, but to ensure that we are removing barriers so all students can take full advantage of all the educational opportunities Virginia Tech provides.

Virginia Tech also reached a strategic research milestone this year. In the 2019 strategic plan, the university set a target to increase extramural research expenditures to $410 million by 2025. The university has surpassed that goal two years ahead of schedule with approximately $415 million of extramural research expenditures in FY23. Moreover, the induction of three faculty members into the national science academies and the inclusion of six faculty members on Clarivate's Highly Cited Researchers list indicate the strength and quality of our research programs and the impact that we are making through the *Virginia Tech Global Distinction.*

The Governor of Virginia and Virginia General Assembly made critical investments in Virginia Tech to support higher education affordability, enhance employee compensation, and advance research programs in FY23. The university received $365 million in general fund appropriations from the commonwealth to support the operations of the academic division, cooperative extension and agricultural experiment station division, student financial aid assistance, research, and the Corps of Cadets programs in FY23; this is an increase of $39 million over the prior year's state appropriation. Overall state support included a $15.3 million appropriation for affordable access and funding for the state share of a 5 percent compensation program for faculty, staff, and graduate assistants (the third year of statewide compensation program increases for Virginia government employees). The university sustained its momentum in private philanthropy with another incredibly successful year – defying a national trend of reductions in nonprofit giving amidst economic volatility. The Advancement Division surpassed the total $1.4 billion mark in Virginia Tech's *Boundless Impact* fundraising campaign, which has a goal of $1.872 billion to be raised by June 30, 2027. The university received $225 million in new gifts and commitments in FY23, the third consecutive year eclipsing its $200 million annual goal. The undergraduate alumni-giving participation rate held steady at over 20 percent for a second consecutive year and the graduating class of 2023 saw a record-breaking 46 percent participation rate. The Council on Advancement and Support of Education (CASE) recognized Virginia Tech with a prestigious CASE 50 designation, reserved for the top 75 advancement institutions globally. More than 16,800 Hokies from 38 countries and all 50 states participated in the university's record-breaking annual Giving Day, raising $9.6 million. As a component of the university's overall philanthropic goals, the *Virginia Tech Advantage* initiative is targeting $500 million in private philanthropy by June 30, 2033.

The value of the Virginia Tech Foundation's endowed assets totaled $1.90 billion as of June 30, 2023, an increase from the FY22 total of $1.68 billion. Although performance lagged the benchmark for FY23, the endowment has outperformed as compared to its policy benchmark over three-, five-, and ten-year periods. Continued strong philanthropy and solid endowment performance provide flexibility to invest in university initiatives and expand financial aid resources to students.

The university continued to expand opportunities for learning, research, and discovery in new and exciting ways, while also partnering with the commonwealth on a number of economic, workforce, and educational development initiatives, including:

- Commonwealth Cyber Initiative (CCI): Researchers continued their groundbreaking transdisciplinary work – including the development of a new xG Testbed at Virginia Tech that received an Open Testing and Integration Center (OTIC) designation from the O-RAN (Radio Access Network) Alliance. The center is one of just six in North America and 15 worldwide, and an essential component to spurring innovation, integrating security, and lowering barriers to entry in the wireless mobile networks market.
- The Fralin Biomedical Research Institute at VTC continued to grow its impact in health science research programs. A landmark donation of $50 million was gifted to the institute by the Red Gates Foundation, fueling new research teams that will help to make significant breakthroughs to benefit humanity for years to come. In addition, Fralin Biomedical Research Institute at VTC continued to expand its partnership with the Children's National Research Innovation Campus in Washington, D.C.
- The College of Agriculture and Life Sciences received an $80 million grant – the largest ever received by Virginia Tech – from the United States Department of Agriculture to pilot a program that will pay producers to implement climate-smart practices on farms of all sizes and commodities. In tandem with tackling climate change and carbon emissions, the project also aims to boost agricultural productivity to feed a growing global population – reflecting the university's continued commitment to its land-grant mission of engagement and service that helps our communities thrive.

Through these and other programs, the university continues to contribute to the commonwealth's ongoing transition to an innovation-driven economy and boost its overall competitiveness. During FY23, the university updated its Six-Year Capital Outlay Plan for the 2024 – 2030 period, which was subsequently approved by the VT Board of Visitors for submission in the state's capital outlay budget program. The forward-looking plan – Virginia Tech's largest ever – includes 31 projects totaling $1.62 billion and offers a balanced approach to new construction and renovations to address the university's strategic plans. The 2023 General Assembly approved planning authorizations for Virginia Tech to:

- Construct a state-of-the-art medical education facility that will double the size of the Virginia Tech Carilion Medical School and provide additional research space to the Fralin Biomedical Research Institute at VTC in Roanoke; and,
- Provide updated and modern research facilities for the college of natural resources and environment at Center Woods adjacent to Blacksburg's main campus.

The university's portfolio of active capital projects had a combined adjusted budget of $1.5 billion for FY23, with over $713 million of expenditures across 28 capital projects. During FY23, several key capital projects were substantially completed, including the new Data and Decision Sciences academic building which supports the transdisciplinary teaching and research programs for three colleges, the Corps Leadership and Military Sciences building that will enhance the Corps of Cadets and ROTC programs, and a new residence hall for members of the Corps of Cadets.

The university continues to be intentional and strategic in managing overall debt to support the growth of the capital program and the achievement of university aspirations. For FY23, the university reported a debt ratio of 4.10 percent, with a long-term debt liability of $831.9 million. The university maintained its credit ratings of Aa1 from Moody's Investors Service Inc., and AA from S&P Global Ratings. Our proactive capital outlay and debt allocation planning processes ensure that the university meets its debt-related performance requirements while ensuring sufficient remaining capacity to support future high priority projects. The addition of long-term debt obligations for long-term leases and subscription-based information technology arrangements (SBITAs) as required by GASB 87 and 96, respectively, required increasing the internal target for the debt ratio from five percent to six percent of operating expenditures.

As part of the IT (Information Technology) Transformation initiative, Virginia Tech established a university-wide IT governance model and IT project management office in advance of planned FY24 efforts to enhance service management and cybersecurity functions. The university also rolled out a new process to expedite the procurement of low-risk, low-cost software and technology services, achieving significant administrative efficiencies while accelerating these procurements. Additionally, the university began the process of upgrading its current ERP (Enterprise Resource Planning) system to enable the eventual transition to software-as-a-service solutions.

Looking forward, Virginia Tech stands at the cusp of a transformational period for both the university and higher education. As Virginia Tech progresses toward its Beyond Boundaries vision and strategic goals, the university remains in a strong financial position. This foundation, coupled with thoughtful long-term planning, will propel the university's new investments into the *Virginia Tech Global Distinction* and *Virginia Tech Advantage* priorities and bolster Virginia Tech's continued excellence in its discovery, learning, and engagement mission.

Management's Responsibility for Financial Reporting & Internal Controls

VIRGINIA TECH.

The information in this Annual Financial Report, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia Tech executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the university. Management believes the information is accurate in all material respects and fairly presents the university's revenues, expenses, and changes in net position as well as its overall financial condition. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the university's operations for the year ended June 30, 2023.

The administration is responsible for establishing and maintaining the university's system of internal controls. Key elements of the university's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well communicated written policies and procedures; annual self-assessments led by the Office of the University Controller; a growing management services segment; and an extensive internal audit function. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the university's system provides reasonable, but not absolute, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Virginia Tech Board of Visitors has created two committees which review and monitor the university's financial reporting and accounting practices. The Finance and Resource Management Committee meets with university financial officers and external independent auditors annually to review the Annual Financial Report, results of audit examinations, and quality of financial reporting. The Compliance, Audit, and Risk Committee periodically meets with internal auditors and university financial officers. These meetings include a review of the scope, quality, and results of the internal audit program, as well as a review of issues related to internal controls.

The Auditor of Public Accounts (APA), the office of the Commonwealth of Virginia's auditors, has examined these annual financial statements and the report thereon appears on the facing page. The APA examination includes a study and evaluation of the university's system of internal controls, financial systems, policies, and procedures, resulting in the issuance of a management letter describing various issues considered worthy of management's attention. The university has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2023.

Amy Sebring
Executive Vice President and Chief Operating Officer

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
An equal opportunity, affirmative action institution

Attachment I

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 3, 2023

The Honorable Glenn Youngkin, Governor of Virginia

Joint Legislative Audit and Review Commission

Board of Visitors, Virginia Polytechnic Institute and State University

President Timothy D. Sands, Virginia Polytechnic Institute and State University

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit of Virginia Polytechnic Institute and State University (Virginia Tech), 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 Virginia Tech's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the discretely presented component unit of Virginia Tech, which is discussed in Notes 1 and 27. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the component unit of Virginia Tech, are based solely on the report of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virginia Tech and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the component unit of Virginia Tech that were audited by another auditor, upon whose report we are relying, were audited in accordance with Government Auditing Standards.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1, 7, and 16 of the accompanying financial statements, Virginia Tech implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, related to accounting and financial reporting for subscription liabilities and right-to-use subscription assets. Our opinions are not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited Virginia Tech's 2022 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated November 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived, except where revised due to the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, as discussed in Note 1.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Tech's ability to continue as a going concern for 12 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 Virginia Tech'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 Virginia Tech'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 7 through 14; the Schedule of Virginia Tech's Share of Net Pension Liability, the Schedule of Virginia Tech's Pension Contributions, and the Notes to the Required Supplementary Information on pages 64 through 65; the Schedule of Virginia Tech's Share of OPEB Liability (Asset), the Schedule of Virginia Tech's Share of OPEB Contributions, and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare (PMRH), Health Insurance Credit (HIC), Group Life Insurance (GLI), Disability Insurance (VSDP), and Line of Duty (LODA) programs, as applicable, on pages 66 through 69. 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Virginia Tech's basic financial statements. The supplementary information, such as the Virginia Tech Foundation, Inc. information, Affiliated Corporations Financial Highlights, and Consolidating Schedules, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, including the Virginia Tech Foundation, Inc. information, Affiliated Corporations Financial Highlights, and Consolidating Schedules, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the University Highlights, Financial Highlights, and Message from the Executive Vice President and Chief Operating Officer but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2023, on our consideration of Virginia Tech'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 Virginia Tech's internal control over financial reporting and compliance.

Staci A. Henshaw

AUDITOR OF PUBLIC ACCOUNTS

MBR/vks

Management's Discussion and Analysis

(Unaudited)

Virginia Polytechnic Institute and State University, popularly known as Virginia Tech, is a comprehensive, land-grant university located in Blacksburg, Virginia. The university offers approximately 280 graduate, undergraduate, and professional degree programs through its nine academic colleges: Agriculture and Life Sciences; Architecture, Arts, and Design; Engineering; Liberal Arts and Human Sciences; Natural Resources and Environment; the Pamplin College of Business; Science; the Virginia-Maryland College of Veterinary Medicine; and the Virginia Tech Carilion School of Medicine.

Virginia Tech has evolved into a position of increasing national prominence since its founding in 1872, consistently ranking among the nation's top universities for undergraduate and graduate programs.

The university is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia's *Annual Comprehensive Financial Report.* The 14 members of the Virginia Tech Board of Visitors govern university operations. Members of the board are appointed by the Governor of Virginia.

Overview

This unaudited *Management's Discussion and Analysis* (MD&A) is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provide an overall view of the university's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the university's financial condition and results of operations for the fiscal year ended June 30, 2023. Comparative numbers are included for the fiscal year ended June 30, 2022 and have been restated for the implementation of GASB Statement 96, *Subscription-Based Information Technology Arrangements.* Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. The university's management is responsible for all of the financial information presented, including this discussion and analysis.

The university's financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities,* as amended by GASB Statements 37, 38, and 63. The three required financial statements are the *Statement of Net Position* (balance sheet), the *Statement of Revenues, Expenses, and Changes in Net Position* (operating statement), and the *Statement of Cash Flows.* These statements are summarized and analyzed in the following sections. Combining schedules included in Optional Supplementary Information indicate how major fund groups were aggregated to arrive at the single column totals presented on the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position.*

In accordance with Section 2100 of the GASB codification, the university's nine affiliated corporations were evaluated on the nature and significance of their relationship to the university. The Virginia Tech Foundation Inc. (VTF or 'the foundation') was determined to be a component unit and is presented in a separate column on the university's financial statements. VTF serves the university by generating significant funding from private sources and aggressively managing its assets to provide supplemental funding to the university. The foundation is not part of this MD&A, but detail regarding its financial activities can be found in Note 27 of the *Notes to Financial Statements.* Transactions between the university and this component unit have not been eliminated in this year's financial statements.

The following GASB statements of standards became effective and were implemented in fiscal year 2023: Statement 91, *Conduit Debt Obligations*; Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement 96, *Subscription-Based Information Technology Arrangements*; and *Omnibus 2022* (paragraphs 11-25). The university was not affected by the implementation of Statements 91 or 94.

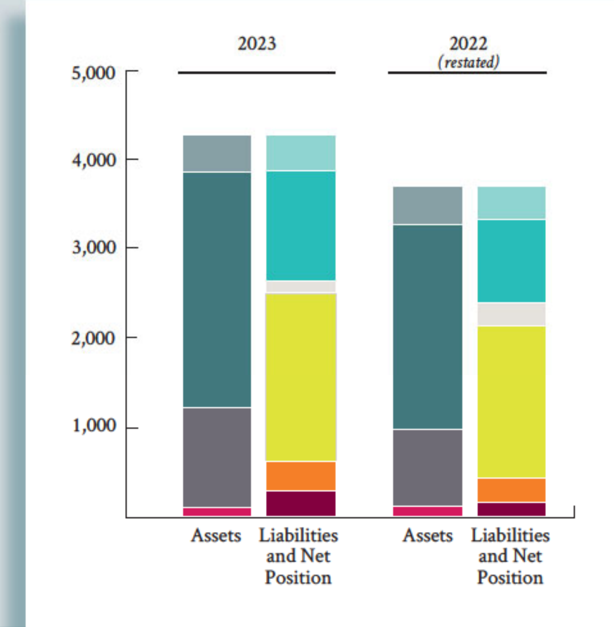
In May 2020, GASB issued Statement 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting of SBITAs for government end users (governments). This statement establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement 87, *Leases,* as amended.

The university adopted Statement 96 in fiscal year 2023 with an implementation date of July 1, 2021. The fiscal year ending June 30, 2022 has been restated for comparative purposes. This restatement resulted in the recognition of SBITA assets (net) of $12.8 million, a decrease in accounts payable of $0.2 million, and increases in accrued interest of $.05 million and SBITA liabilities of $11.5 million for fiscal year 2022.

Assets, Liabilities, and Net Position
For the years ended June 30, 2023 and 2022
(all dollars in millions)

	2023	2022 *(restated)*	Change Amount	Change Percent
Current assets	$ 410.9	$ 427.4	$ (16.5)	(3.9)%
Capital assets, net*	2,636.5	2,292.4	344.1	15.0 %
Other assets	1,121.0	858.3	262.7	30.6 %
Total assets	4,168.4	3,578.1	590.3	16.5 %
Deferred outflow of resources	94.3	108.6	(14.3)	(13.2)%
Current liabilities	405.5	370.0	35.5	9.6 %
Noncurrent liabilities	1,224.7	929.3	295.4	31.8 %
Total liabilities	1,630.2	1,299.3	330.9	25.5 %
Deferred inflow of resources	130.6	262.1	(131.5)	(50.2)%
Invested in capital assets, net	1,891.2	1,705.6	185.6	10.9 %
Restricted	322.6	259.1	63.5	24.5 %
Unrestricted	288.1	160.6	127.5	79.4 %
Total net position	$ 2,501.9	$ 2,125.3	$ 376.6	17.7 %

*Includes long-term leases and SBITAs



Summary of Assets, Liabilities, and Net Position

Statement of Net Position

The *Statement of Net Position* (SNP) presents the assets, liabilities, and net position of the university as of the end of the fiscal year. The purpose of this statement is to present a snapshot of the university's financial position to readers of the financial statements.

The data presented aids readers in determining the assets available to continue operations of the university. It also allows readers to see what the university owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of the university's net position and the restrictions for expenditure of the components of net position. Sustained increases in net position over time is one indicator of the financial health of the organization.

The university's net position is classified as follows:

Net investment in capital assets – Net investment in capital assets represents the university's total investment in capital assets, net of accumulated depreciation, amortization, and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.

Restricted component of net position, nonexpendable – The nonexpendable category of the restricted component of net position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal. The university's nonexpendable endowments of $14.2 million are included in its column on the SNP.

Restricted component of net position, expendable – The expendable category of the restricted component of net position includes resources the university is legally or contractually obligated to expend, with restrictions imposed by external third parties. This category partially consists of quasi-endowments totaling $56.3 million. The investment of quasi-endowments is managed by VTF.

Unrestricted component of net position – The unrestricted component of net position represents resources used for transactions relating to academic departments and general operations of the university, and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose in support of the university's primary missions of instruction, research, and outreach. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Examples of the university's auxiliaries are intercollegiate athletics and student residential and dining programs.

Total university assets increased by $590.3 million or 16.5% during fiscal year 2023, bringing the total to $4,168.4 million at year end. Current assets decreased by $16.5 million. The decline is largely the result of decreases in cash and cash equivalents of $43.3 million and prepaid expenses of $13.3 million, with smaller decreases in due from the commonwealth ($2.6 million) and notes receivable ($0.6 million). These reductions were offset by increases in accounts and contributions receivable of $41.1 million, predominately in the grant and contracts area, and an increase of $2.2 million in inventories. Noncurrent assets grew by $606.8 million. Depreciable capital assets, net, increased by $119.9 million reflecting the ongoing construction of university research and instructional facilities, and the capitalization of completed facilities discussed in detail in the following section, Capital Asset and Debt Administration. Long-term investments rose $132.3 million largely due to rebounding market conditions. Nondepreciable capital assets rose by $121.0 million due to the many capital projects currently underway on the university campus and in northern Virginia. Long-term lease right-to-use assets increased by $96.2 million primarily due to the new leases for Gilbert Street, Research Swing Space, and Glebe Road buildings. Noncurrent cash and cash equivalents increased $78.5 million largely as a result of an increase in bond proceeds for capital projects. There was also an increase of $49.4 million in the due from the Commonwealth of Virginia line item attributable to additional capital activity being funded by VCBA 21st century bonds and maintenance reserve funding.

Total university liabilities increased by $330.9 million or 25.5% during fiscal year 2023. The current liabilities category increased $35.5 million. The rise in current liabilities was largely due to an increase of $57.2 million in accounts payable and accrued liabilities, mostly attributable to capital projects payables to contractors. This increase was offset by a decrease of $39.6 million in commercial paper which was used to temporarily fund capital projects until the long-term debt was issued. Noncurrent liabilities rose by $295.4 million. The largest increases in the area were for long-term debt of $169.4 million due to the issuance of debt for multiple capital projects; long-term lease payable of $81.7 million for the new leases mentioned above; an increase of $53.8 million in the actuarially determined pension liability; and a long-term subscription based information technology arrangement liabilities increase of $5.7 million. These increases were offset by smaller decreases in other postemployment benefits liabilities ($7.9 million), federal student loan program contributions refundable ($5.6 million), and accrued compensated absences ($2.8 million).

The increase in total assets along with the increase in total liabilities is reflected in the year-over-year growth of the university's net position of $376.6 million (17.7%). Net position in the category of net investment in capital assets increased by $185.6 million, reflecting the university's continued investment in new facilities and equipment supporting the university's mission. Unrestricted net position rose by $127.5 million (79.4%) due to the change in VRS Pension and OPEB liabilities, and deferred inflows and outflows, as well as the prudent management of fiscal resources.

Funding for Authorized Current and Future Capital Projects
As of June 30, 2023
(all dollars in millions)

	State Funds (1)	Other Funds (2)	University Debt Issued Before June 30, 2023	University Debt To Be Issued After June 30, 2023	Total Funding	Cash Basis Project-To-Date Expenses
Current education and general	$ 368.5	$ 66.8	$ 119.8	$ 122.6	$ 677.7	$ 318.2
Current auxiliary enterprise	-	62.1	70.4	-	132.5	65.1
Total current	368.5	128.9	190.2	122.6	810.2	383.3
Future education and general	264.5	19.0	-	16.8	300.3	8.4
Future auxiliary enterprise	-	25.4	-	-	25.4	-
Total future	264.5	44.4	-	16.8	325.7	8.4
Total authorized	$ 633.0	$ 173.3	$ 190.2	$ 139.4	$ 1,135.9	$ 391.7

(1) Includes the general fund, capital appropriations, and the general obligation bonds of the Commonwealth of Virginia
(2) Includes private gifts, auxiliary surpluses, student fees, and other customer revenues

Summary of Capital Project Funding

Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the university's academic, research, and residential life functions is the development and renewal of its capital assets. The university continues to maintain and upgrade current structures, as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serve to enrich high-quality instructional programs, residential lifestyles, and research activities.

Note 7 of the *Notes to Financial Statements* describes the university's significant investment in depreciable capital assets, with gross additions of $381.5 million during fiscal year 2023. Major projects included the completion of the Data and Decision Science Building ($67.9 million), renovation of the university's chiller plant ($42.4 million), and upgrading livestock and poultry research facilities ($21.8 million). Ongoing investments in instructional, research, and computer equipment totaled $68.9 million. Depreciation and amortization expense related to capital assets was $151.0 million with net retirement of depreciable assets of $7.3 million. The net increase in depreciable capital assets for this period was $223.2 million. The net increase in nondepreciable capital assets ($121.0 million) was primarily due to more construction in progress expenses during the current year for major building projects to be completed after fiscal year 2023. The major projects remaining in the construction-in-progress category include construction of the new Innovation Campus in Alexandria ($174.1 million), construction of a new corps leadership and military science building ($44.1 million), construction of Hitt Hall ($42.7 million), construction of a new undergraduate lab building ($38.4 million), construction of the Upper Quad Hall North residence hall ($36.9 million), and other ongoing capital improvements and renovations throughout the university ($82.5 million). In addition, $16.9 million was withheld as retainage payable on major projects under construction. This retainage amount will be moved to the building asset category once final payments are made to the construction contractors. Proceeds from the sale of commercial paper were used to provide temporary funding for some projects under construction. The majority of the temporary financing will be replaced with the issuance of long-term bonds and notes.

Total liabilities related to debt, long-term leases, and SBITAs experienced a net increase of $271.3 million during fiscal year 2023. This increase was due to the additions of long-term debt payable ($204.7 million), long-term leases payable ($112.3 million), and SBITAs ($12.6 million), offset by $58.3 million in retirements and terminations.

Additions to long-term debt payable include *(all dollars in millions)*:

Section 9(c) general obligation bonds issued:		
Hitt Hall dining facility	$	42.7
Innovation Campus parking		30.7
Upper Quad Hall North residence hall		27.0
Total 9(c) general obligation bonds issued		100.4
VCBA notes payable issued:		
Student wellness facility improvements		44.8
Corps leadership and military science building		31.5
Data and Decision Science Building		10.0
Hitt Hall academic space		12.6
Innovation Campus academic building		5.4
Total notes payable issued		104.3
Total additions to long-term debt payable	$	204.7

Additions to long-term leases payable include new leases for the Gilbert Street building ($56.8 million), Glebe Road space ($24.4 million), research swing space ($20.6 million), and other leases ($10.5 million). See Notes 12, 13, 15, and 16 of the *Notes to Financial Statements* for more details.

The educational and general (E&G) portion of the university's capital outlay program includes ten projects currently under construction. These projects include construction of an academic building for the Innovation Campus in Alexandria ($302.1 million), construction of a new undergraduate science lab building ($90.4 million), construction of Hitt Hall ($85.0 million), construction of a corps leadership and military science building ($52.0 million), and building envelope improvements ($47.2 million). In addition to the capital projects underway, there were two new construction projects approved for instructional and research facilities. The new capital projects include the planning phases for the new Mitchell Hall to replace Randolph Hall ($292.3 million) and construction of a new building for the Pamplin College of Business ($8.0 million). The Commonwealth of Virginia will provide partial funding for several of these E&G projects. In addition to funding received from the commonwealth, the projects may also be funded from a combination of private gifts, student fees, other customer revenues, and debt financing.

The auxiliary enterprises portion of the university's capital outlay program represents three projects currently under construction. These projects include improvements to facilities providing student wellness services ($70.0 million), construction of a new residence hall in the upper quad area of campus ($42.0 million), and a renovation of Slusher Hall ($7.5 million). Future capital projects include planning for a student life village ($19.5 million) and football locker room renovations ($5.9 million). Since auxiliaries are required to be self-supporting, no state general funds or capital appropriations are provided for these projects. These projects will be funded by a combination of private gifts, student fees, other customer revenues, and debt financing.

Virginia Tech had a total authorization of $1,135.9 million in capital building projects as of June 30, 2023, requiring approximately $139.4 million in additional debt financing. Capital projects in progress carried commitments to construction contractors, architects, and engineers totaling $245.1 million at June 30, 2023. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. The majority of the financial commitment is attributed to the construction of an academic building for the Innovation Campus in Alexandria ($98.4 million), improvements to facilities providing student wellness services ($47.1 million), construction of a new undergraduate science laboratory building ($39.0 million), construction of Hitt Hall ($31.1 million), and the construction of Mitchell Hall to replace Randolph Hall ($10.2 million). These commitments represent only a portion of the university's capital projects currently under construction or authorized by the commonwealth.

The university's bond and commercial paper ratings shown in the table below reflect strong student demand, balanced operating performance, and adequate reserves to address unforeseen expenses.

	Bonds	Commercial Paper
Moody's Investor Service Inc.	Aa1	P-1
S&P Global Ratings	AA	A-1+

Statement of Revenues, Expenses, and Changes in Net Position

Operating and non-operating activities creating changes in the university's total net position are presented in the *Statement of Revenues, Expenses, and Changes in Net Position*, found on page 17. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Revenues, Expenses, and Changes in Net Position
For the years ending June 30, 2023 and 2022
(all dollars in millions)

	2023	2022 *(restated)*	Change Amount	Change Percent
Operating revenues	$ 1,443.3	$ 1,311.6	$ 131.7	10.0%
Operating expenses	1,824.8	1,637.2	187.6	11.5%
Operating loss	(381.5)	(325.6)	(55.9)	17.2%
Non-operating revenues and expenses	545.2	436.1	109.1	25.0%
Income before other revenues, expenses, gains or losses	163.7	110.5	53.2	48.1%
Other revenues, expenses, gains or losses	212.9	199.7	13.2	6.6%
Increase in net position	376.6	310.2	66.4	21.4%
Net position - beginning of year, as restated	2,125.3	1,815.1	310.2	17.1%
Net position - end of year	$ 2,501.9	$ 2,125.3	$ 376.6	17.7%

Summary of Revenues, Expenses, and Changes in Net Position

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the university. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the missions of the university. Salaries and fringe benefits for faculty and staff are the largest type of operating expense. Non-operating revenues are revenues received for which goods and services are not directly provided. Included in this category are state appropriations and gifts which supplement the payment of operating expenses of the university and support student scholarships. Therefore, the university, like most public institutions, expects to show an operating loss.

Operating Revenues

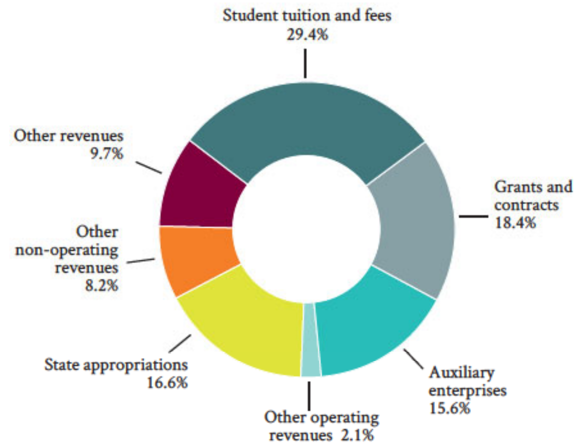
Total operating revenues increased by $131.7 million or 10.0% from the prior fiscal year. The growth in operating revenues came mainly from three areas. Revenues from auxiliaries, such as athletics and dorm and dining programs, rose $43.7 million. Student tuition and fees rose by $36.0 million reflecting small increases in tuition and fee rates as well as a continuing demand for a Virginia Tech education. Total sponsored grants and contracts grew by $43.8 million. Grants and contracts awarded by federal sponsors increased by $39.2 million, state grants and contracts increased by $7.2 million, and federal appropriations declined by $1.3 million while local grants and contracts fell by $1.3 million. Additionally, other operating revenues rose by $8.2 million. Overall, the university's operating revenues climbed from $1,311.6 million in fiscal year 2022, to $1,443.3 million in fiscal year 2023.

Increase (Decrease) in Revenues
For the years ended June 30, 2023 and 2022
(all dollars in millions)

	2023	2022 *(restated)*	Change Amount	Change Percent
Operating revenues				
Student tuition and fees, net	$ 647.0	$ 611.0	$ 36.0	5.9 %
Grants and contracts (1)	406.3	362.5	43.8	12.1 %
Auxiliary enterprises	343.4	299.7	43.7	14.6 %
Other operating revenues	46.6	38.4	8.2	21.4 %
Total operating revenues	1,443.3	1,311.6	131.7	10.0 %
Non-operating revenues				
State appropriations	365.3	326.4	38.9	11.9 %
Other non-operating revenues (2)	179.9	109.7	70.2	64.0 %
Total non-operating revenues	545.2	436.1	109.1	25.0 %
Other revenues				
Capital appropriations	43.5	13.7	29.8	217.5 %
Capital grants and gifts	169.2	180.7	(11.5)	(6.4)%
Gain on disposal of capital assets	0.2	5.3	(5.1)	(96.2)%
Total other revenues	212.9	199.7	13.2	6.6 %
Total revenues	$ 2,201.4	$ 1,947.4	$ 254.0	13.0 %

(1) Includes federal appropriations.
(2) Includes gifts, investment income, interest expense on debt related to capital assets, federal Pell grants, CARES Act stabilization revenue, and other non-operating revenue.

Total Revenues by Source
For the year ended June 30, 2023



SUMMARY OF REVENUES

Non-operating and Other Revenues and Expenses

Non-operating revenues and expenses totaled $545.2 million, an increase of $109.1 million from the previous year's total. Revenue increase in this category resulted primarily from the rebound of the investment markets, resulting in an increase in investment earnings of $97.7 million. There was growth in state appropriations of $38.9 million as well as a rise in gift revenue transferred from the Virginia Tech Foundation of $14.3 million. Other non-operating revenues increased $9.5 million largely due to special contributions from the commonwealth for the VRS pension and OPEB programs. Also, federal financial aid grew by $2.1 million.

These increases were partially offset by a decrease in Coronavirus relief funding of $45.7 million as those programs came to an end, as well as a decline in non-operating grants and contracts of $2.0 million. Additionally, interest expense increased by $5.7 million.

Total other revenues, expenses, gains, and losses grew by $13.2 million compared to the prior year. The university received an increase in capital appropriation funding of $29.8 million for its maintenance reserve program and other capital projects. Capital grants and gifts declined $11.5 million due to a decrease in capital projects being funded by private gifts. Additionally, there was a decrease of $5.1 million in the gain on disposal of capital assets.

Revenues from all sources (operating, non-operating, and other) for fiscal year 2023 totaled $2,201.4 million, increasing by $254.0 million from the prior year. Operating expenses totaled $1,824.8 million for fiscal year 2023, reflecting a year-over-year increase of $187.6 million. Total revenues less total operating expenses resulted in an increase to net position of $376.6 million.

Total Expenses

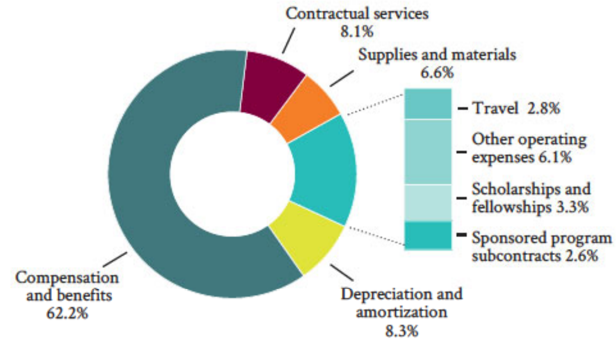
The university is committed to recruiting and retaining outstanding faculty and staff. The personnel compensation package is one way to successfully compete with peer institutions and nonacademic employers. The natural expense category, compensation and

Increase (Decrease) in Expenses by Natural Classification
For the years ended June 30, 2023 and 2022
(all dollars in millions)

	2023	2022 (restated)	Change Amount	Change Percent
Compensation and benefits	$ 1,135.9	$ 1,029.9	$ 106.0	10.3 %
Contractual services	148.3	134.2	14.1	10.5 %
Supplies and materials	119.6	106.6	13.0	12.2 %
Travel	51.5	33.7	17.8	52.8 %
Other operating expenses	110.8	91.4	19.4	21.2 %
Scholarships and fellowships*	60.3	68.7	(8.4)	(12.2)%
Sponsored program subcontracts	47.4	36.9	10.5	28.7 %
Depreciation and amortization	151.0	135.8	15.2	11.2 %
Total operating expenses	$ 1,824.8	$ 1,637.2	$ 187.6	11.5 %

**Includes loan administrative fees and collection costs.*

Total Expenses by Natural Classification
For the year ended June 30, 2023



Summary of Expenses by Natural Classification

benefits, comprises $1,135.9 million or 62.2% of the university's total operating expenses. This category increased by $106.0 million (10.3%) over the previous year. Generally, changes to expenses in this category come from three sources: increases or reductions in the number of personnel, annual salary increases, and the general trends in the costs of fringe benefits. The benefits section is also affected by the changes in the actuarially calculated expenses for the OPEB and pension programs. Almost all of the natural expense categories saw increases as the university continued to recover from the pandemic with travel and other spending returning to normal.

Operating expenses for fiscal year 2023 totaled $1,824.8 million, an increase of $187.6 million or 11.5% from fiscal year 2022. In the functional categories of expense, research experienced the largest increase ($45.9 million) reflecting the increase in sponsored program awards and the continued investment in the university research centers. Instruction had the second-largest increase ($44.5 million) reflecting the continued investment in providing the highest quality education for the students of the university. While almost all other functional expense lines increased as the university returned to more normal operations as the pandemic emergency lifted, the scholarship line did show a decrease of $9.1 million due to prior years having CARES Act stabilization funding that was awarded directly to students.

In summary, the university's operating revenues increased by $131.7 million or 10.0% over the preceding year, while operating expenses grew by $187.6 million or 11.5%. This resulted in an operating loss for the current fiscal year of $381.5 million in comparison to the operating loss of $325.6 million generated during the previous year. State appropriations, investment earnings, and other net non-operating revenues were used to meet operating expenses not offset by operating revenues.

Statement of Cash Flows

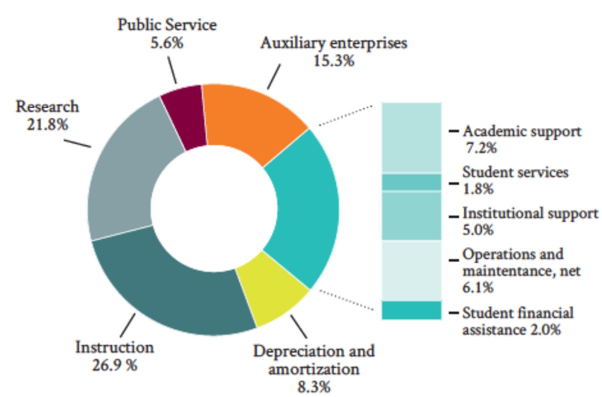
The *Statement of Cash Flows* presents detailed information about the cash activity of the university during the year. Cash flows from operating activities will always be different from the operating loss

Increase (Decrease) in Expenses by Function
For the years ended June 30, 2023 and 2022
(all dollars in millions)

	2023	2022 (restated)	Change Amount	Change Percent
Instruction	$ 490.4	$ 445.9	$ 44.5	10.0 %
Research	397.3	351.4	45.9	13.1 %
Public service	102.7	93.2	9.5	10.2 %
Auxiliary enterprises	278.8	257.5	21.3	8.3 %
Depreciation and amortization	151.0	139.7	11.3	8.1 %
Subtotal	1,420.2	1,287.7	132.5	10.3 %
Support, maintenance, and other				
Academic support	131.6	111.6	20.0	17.9 %
Student services	33.5	29.5	4.0	13.6 %
Institutional support	92.4	78.5	13.9	17.7 %
Operations and maintenance, net	110.9	84.6	26.3	31.1 %
Student financial assistance*	36.2	45.3	(9.1)	(20.1)%
Total support, maint, and other	404.6	349.5	55.1	15.8 %
Total operating expenses	$ 1,824.8	$ 1,637.2	$ 187.6	11.5 %

**Includes loan administrative fees and collection costs.*

Total Expenses by Function
For the year ended June 30, 2023



Summary of Expenses by Function

on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows to meet its obligations.

The statement is divided into five sections. The first section, cash flows from operating activities, deals with operating cash flows and shows net cash used by operating activities of the university. The cash flows from noncapital financing activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires general appropriations from the commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities. Cash flows from capital and related financing activities presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as gifts to endowments, are included in cash flows from capital financing activities. Cash flows from investing activities reflect the cash flows generated from investments which include purchases, proceeds, and interest. The last section reconciles the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* for fiscal year 2023 to net cash used by operating activities.

Net cash used by operating activities was $285.7 million, a $34.2 million increase from the prior year. Total cash inflows from operating activities increased by $121.2 million with the largest inflow increases from tuition and fees ($39.7 million) and auxiliary enterprise charges ($28.1 million). Total cash outflows grew by $155.4 million with the major increases in uses of cash being payments to employees and fringe benefits ($62.3 million) and operating expenses ($72.8 million) reflecting the rising cost of providing a high-quality education to the student body. Operating activity uses of cash significantly exceeded operating activity sources of cash due to classification of state appropriations ($365.3 million) and gifts ($92.4 million) as noncapital financial activities.

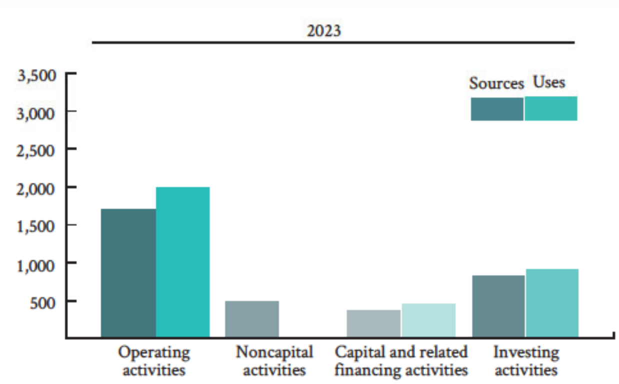
Net cash flows provided by noncapital financing activities increased by $6.7 million. This increase was due to a rise in state appropriations of $38.9 million and an increase of $14.1 million in gifts drawn from the foundation. These increases were offset by a decrease in other non-operating receipts of $46.3 million.

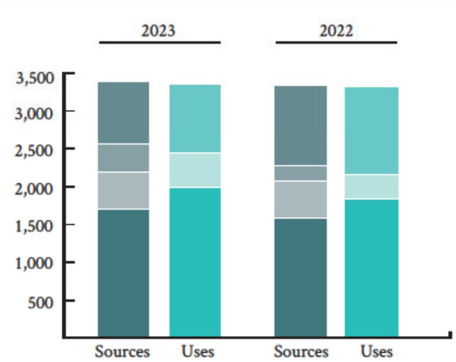
Cash used by capital financing activities decreased by $26.9 million. Proceeds from the issuance of capital debt increased by $204.7 million as new debt was issued for several capital projects. This was offset by decreases in cash from gifts of capital assets of $23.5 million. Cash used for the acquisition and construction of capital assets increased $78.1 million and cash from proceeds of short-term financing decreased by $64.7 million as commercial paper to temporarily fund capital projects was replaced by the issuance of new long-term debt financing for capital projects.

Net cash used by investing activities decreased $15.5 million as activity for the investment areas slowed with rising interest rates amid uncertain markets.

Summary of Cash Flows
For the Years Ended June 30, 2023 and 2022
(all dollars in millions)

	2023	2022 *(restated)*	Change Amount	Change Percent
Net cash used by operating activities	$ (285.7)	$ (251.5)	$ (34.2)	13.6 %
Net cash provided by noncapital activities	489.9	483.2	6.7	1.4 %
Net cash used by capital and related financing activities	(92.2)	(119.1)	26.9	(22.6)%
Net cash used by investing activities	(76.8)	(92.3)	15.5	(16.8)%
Net increase (decrease) in cash and cash equivalents	35.2	20.3	14.9	73.4 %
Cash and cash equivalents - beginning of year	321.3	301.0	20.3	6.7 %
Cash and cash equivalents - end of year	$ 356.5	$ 321.3	$ 35.2	11.0 %





(The graphs above demonstrate the relationship between sources and uses of cash. The graph on the left shows activity for fiscal year 2023 only, grouped by related sources and uses of cash, while the graph on the right displays that same activity for fiscal years 2023 and 2022 in a stacked format.)

Summary of Cash Flows

Economic Outlook

Virginia Tech maintains a competitive market position, with state and federal funding support, which enables the university to pursue its tripartite mission of discovery, learning, and engagement from a strong financial position.

As a public institution, the university is subject to many of the macroeconomic conditions that impact the nation and the Commonwealth of Virginia. The fiscal strength of the Commonwealth of Virginia translated into a significant investment of resources into Virginia Tech for 2022-23, signaling the state's interest in supporting higher education and economic growth. The state supported 20 percent of the university's budget through general fund appropriations in 2022-23. In parallel, the university continuously explores cost containment measures and strategies for revenue enhancement, including increased philanthropy, industry partnerships, and enrollment to meet the needs of the university and support the state's needs. The Virginia Tech Board of Visitors maintains its authority to establish tuition and fee rates, and significant national, state, and institutional emphasis continues to focus on maintaining a slow rate of tuition growth.

Demand for a Virginia Tech education continues to grow, providing a stable and growing source of revenue to support instructional activities. Tuition and fees now provide 47 percent of the total university budget. Once again, the university experienced the largest number of applications ever for the fall 2023 incoming freshman class. Demand from both talented resident and nonresident students continues to increase. The university's efforts have also diversified the applicant pool with notable increases in interest from first generation and under-served populations. As the largest producer of STEM-H graduates in the commonwealth, Virginia Tech continues to strengthen Virginia's workforce and knowledge-driven economy.

An additional major input to the university budget is federal support. University leadership monitors federal opportunities to support university program funding, including externally sponsored research, land-grant activities, and student financial aid. Active collaborations with other universities, industry, foundations, as well as the federal government have facilitated the sharing of expertise across disciplinary boundaries.

While significant focus is placed on sustainable revenue sources, the university also continues to employ cost containment and innovative resource enhancement strategies to successfully advance the institution and its strategic priorities. As compared to peer institutions, benchmarking demonstrates that Virginia Tech operates an administratively lean organization, directing a larger share of overall resources towards academic activities than peers. The university will continue to employ strategic planning processes to advance its core missions of instruction, research, and public service, and manage resources to achieve strategic priorities. Current priorities include facilitating student access, affordability, and success through the *Virginia Tech Advantage* program and becoming a top 100 global research university through the *Virginia Tech Global Distinction* program.

Virginia Tech, along with all other public institutions of higher education in Virginia, continues to benefit from significant decentralized authority from the Commonwealth of Virginia. Restructuring provides flexibility and authority to the participating institutions with the potential for increased efficiencies and cost savings. The university works to leverage these authorities to drive efficiencies for cost savings and to better meet the needs of the commonwealth.

The university invests its public funds in accordance with two sections of the *Code of Virginia*: the *Investment of Public Funds Act* and the *Uniform Prudent Management of Institutional Funds Act.* The university continually monitors the valuation of its investments which is overseen by the university's board of visitors. At the end of the fiscal year, the value of the university's investments held with the foundation totaled $575.9 million, an increase of $68 million over the preceding year.

Executive management believes that the university will maintain its solid financial foundation and is positioned to continue to advance excellence in teaching, research, and public service. Management's policies of cost containment and investing in strategic initiatives will ensure the university is prepared to manage the changing environment of higher education while continuing to advance the university's strategic plan. The financial position of the university is strong as evidenced by its diversified portfolio of research funding, ranking, strong student demand from increasingly talented students, auxiliary enterprises with high customer satisfaction, growing contributions to endowments, increased assets, and quality debt ratings from Moody's Investors Service Inc. (Aa1) and S&P Global Ratings (AA).

The university's overall financial position remains strong. Management continues to maintain a close watch over university resources to ensure its ability to strategically respond to unknown internal and external issues and sustain its current high quality educational programs and favorable financial position.

With its thriving and engaged community of students, faculty, and staff, Virginia Tech's future remains bright as one of the commonwealth's largest public universities.

Statement of Net Position

As of June 30, 2023, with comparative financial information as of June 30, 2022
(all dollars in thousands)

	2023 Virginia Tech	2023 Virginia Tech Foundation	2022 Virginia Tech *(restated)*	2022 Virginia Tech Foundation
Assets				
Current assets				
Cash and cash equivalents (Note 4)	$ 236,876	$ 61,991	$ 280,210	$ 63,814
Short-term investments (Notes 4, 27)	-	11,947	-	22,126
Accounts and contributions receivable, net (Notes 1, 5, 27)	128,160	86,906	87,067	93,505
Notes receivable, net (Notes 1, 6)	477	364	1,113	422
Due from Commonwealth of Virginia (Note 10)	15,422	-	18,069	-
Inventories	19,865	146	17,626	341
Prepaid expenses	10,066	840	23,318	1,148
Other assets	-	15,140	-	7,406
Total current assets	410,866	177,334	427,403	188,762
Noncurrent assets				
Cash and cash equivalents (Note 4)	119,618	38,983	41,108	47,784
Short-term investments (Note 4)	2,112	-	-	-
Due from Commonwealth of Virginia (Note 10)	62,517	-	13,120	-
Accounts and contributions receivable, net (Notes 1, 5, 27)	10,196	100,418	3,268	116,587
Notes receivable, net (Notes 1, 6)	5,688	7,989	9,770	22,010
Net investments in direct financing leases	-	158,101	-	67,423
Irrevocable trusts held by others, net	-	5,060	-	5,450
Long-term investments (Notes 4, 27)	910,188	1,937,876	777,862	1,761,317
Depreciable capital assets, net (Notes 7, 27)	2,150,406	237,733	1,927,222	205,490
Nondepreciable capital assets (Notes 7, 27)	486,171	164,520	365,221	243,339
Intangible assets, net	-	3,581	-	3,575
Other assets	10,710	6,745	13,095	6,065
Total noncurrent assets	3,757,606	2,661,006	3,150,666	2,479,040
Total assets	4,168,472	2,838,340	3,578,069	2,667,802
Deferred outflows of resources	94,322	-	108,600	-
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 8)	232,199	13,386	175,002	18,599
Accrued compensated absences (Notes 1, 17)	39,298	682	29,503	353
Unearned revenue (Notes 1, 9)	56,882	18,421	62,219	17,933
Funds held in custody for others	8,577	-	10,757	-
Commercial paper (Note 11)	6,813	-	46,449	-
Long-term subscription-based IT arrangements payable (Note 16)	5,410	-	4,476	-
Long-term leases payable (Note 15)	19,821	-	17,099	-
Long-term debt payable (Notes 12, 13, 27)	32,254	20,089	21,483	20,686
Other postemployment benefits liabilities (Notes 17, 21)	3,642	-	2,975	-
Other liabilities	673	3,355	-	4,897
Total current liabilities	405,569	55,933	369,963	62,468
Noncurrent liabilities				
Accrued compensated absences (Notes 1, 17)	21,428	68	24,282	330
Federal student loan program contributions refundable (Notes 17, 23)	670	-	6,240	-
Unearned revenue	-	3,683	-	3,522
Long-term subscription-based IT arrangements payable (Note 16)	12,798	-	7,069	-
Long-term leases payable (Note 15)	186,130	-	104,471	-
Long-term debt payable (Notes 12, 13, 27)	575,520	266,164	406,073	281,554
Liabilities under trust agreements	-	20,412	-	21,124
Agency deposits held in trust (Note 27)	-	648,613	-	576,822
Pension liability (Notes 17, 19)	284,863	-	231,055	-
Other postemployment benefits liabilities (Notes 17, 21)	139,070	-	146,986	-
Other liabilities	4,210	6,425	3,124	6,701
Total noncurrent liabilities	1,224,689	945,365	929,300	890,053
Total liabilities	1,630,258	1,001,298	1,299,263	952,521
Deferred inflows of resources	130,625	-	262,078	-
Net position				
Investment in capital assets	1,891,196	280,419	1,705,583	235,265
Restricted, nonexpendable	14,249	824,869	13,588	782,379
Restricted, expendable				
Scholarships, research, instruction, and other	168,946	553,660	150,005	525,124
Capital projects	42,360	-	10,194	-
Debt service and auxiliary operations	97,074	-	85,361	-
Unrestricted	288,086	178,094	160,597	172,513
Total net position	$ 2,501,911	$ 1,837,042	$ 2,125,328	$ 1,715,281

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

Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2023 with comparative financial information for the year ended June 30, 2022
(all dollars in thousands)

	2023		2022	
	Virginia Tech	Virginia Tech Foundation	Virginia Tech *(restated)*	Virginia Tech Foundation
Operating revenues				
Student tuition and fees, net (Note 1)	$ 646,997	$ -	$ 611,022	$ -
Gifts and contributions	-	76,668	-	131,257
Federal appropriations	14,361	-	15,612	-
Federal grants and contracts	291,062	-	251,890	-
State grants and contracts	26,784	-	19,605	-
Local grants and contracts (Note 3)	14,602	-	15,946	-
Nongovernmental grants and contracts	59,433	-	59,476	-
Sales and services of educational activities	30,737	-	29,161	-
Auxiliary enterprise revenue, net (Note 1)	343,380	28,146	299,676	24,589
Other operating revenues	15,954	72,228	9,257	70,771
Total operating revenues	1,443,310	177,042	1,311,645	226,617
Operating expenses				
Instruction	490,384	4,180	445,912	5,114
Research	397,317	10,094	351,448	7,012
Public service	102,693	6,173	93,219	5,238
Academic support	131,609	31,525	111,566	64,704
Student services	33,512	-	29,471	-
Institutional support	92,405	58,000	78,513	50,477
Operation and maintenance of plant	110,876	17,990	84,638	15,787
Student financial assistance	36,274	39,504	45,279	36,369
Auxiliary enterprises	278,778	17,406	257,516	16,148
Depreciation and amortization (Note 7)	151,013	11,665	139,660	11,149
Other operating expenses	-	15,352	-	20,817
Total operating expenses	1,824,861	211,889	1,637,222	232,815
Operating income (loss)	(381,551)	(34,847)	(325,577)	(6,198)
Non-operating revenues (expenses)				
State appropriations (Note 24)	365,331	-	326,419	-
Gifts	92,968	-	78,702	-
Coronavirus relief funding (Note 31)	7,443	-	53,139	-
Non-operating grants and contracts	384	-	2,421	-
Federal student financial aid (Pell)	24,780	-	22,722	-
Investment income, net	60,267	28,351	(37,504)	20,842
Net gain (loss) on investments	-	71,520	-	(81,802)
Interest expense on subscription-based IT arrangements	(213)	-	(69)	-
Interest expense on long-term leases	(6,701)	(8,693)	(5,757)	(9,417)
Interest expense on debt related to capital assets	(15,527)	-	(10,922)	-
Other non-operating revenue	16,484	-	6,945	-
Net non-operating revenues (expenses)	545,216	91,178	436,096	(70,377)
Income (loss) before other revenues, expenses, gains, or losses	163,665	56,331	110,519	(76,575)
Change in valuation of split interest agreements	-	2,528	-	(10,947)
Capital appropriations (Note 24)	43,550	-	13,726	-
Capital grants and gifts (Note 10)	169,214	18,971	180,756	18,736
Gain on disposal of capital assets	154	118	5,258	1,706
Additions to permanent endowments	-	40,471	-	53,293
Other revenues (expenses)	-	3,342	-	(777)
Total other revenues, expenses, gains, and losses	212,918	65,430	199,740	62,011
Increase (decrease) in net position	376,583	121,761	310,259	(14,564)
Net position—beginning of year, as restated (Note 1)	2,125,328	1,715,281	1,815,069	1,729,845
Net position—end of year	$ 2,501,911	$ 1,837,042	$ 2,125,328	$ 1,715,281

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

Statement of Cash Flows

As of June 30, 2023, with comparative financial information as of June 30, 2022
(all dollars in thousands)

	2023	2022 *(restated)*
Cash flows from operating activities		
Tuition and fees	$ 650,608	$ 610,867
Federal appropriations	13,723	15,612
Grants and contracts	360,642	341,809
Sales and services of education departments	30,737	29,161
Auxiliary enterprise charges	327,937	299,839
Other operating receipts	15,954	9,257
Payments for operating expenses	(491,425)	(418,595)
Payments to employees and fringe benefits	(1,155,208)	(1,092,881)
Payments for scholarships and fellowships	(36,274)	(45,279)
Loans issued to students	(5,752)	(3,232)
Collection of loans to students	5,573	3,095
Direct lending receipts	158,893	148,432
Direct lending disbursements	(158,897)	(148,432)
Scholarship and other miscellaneous custodial receipts	141,039	125,852
Scholarship and other miscellaneous custodial disbursements	(143,215)	(126,966)
Net cash used by operating activities	(285,665)	(251,461)
Cash flows from noncapital financing activities		
State appropriations	365,326	326,419
Non operating grants & contracts	384	2,421
Federal student financial aid (Pell)	24,780	22,722
Gifts for other than capital purposes	92,469	78,405
Other non-operating receipts	6,939	53,209
Net cash provided by noncapital financing activities	489,898	483,176
Cash flows from capital financing activities		
Capital appropriations	14,529	11,302
Gifts for capital assets	144,863	168,325
Proceeds from issuance capital debt	204,665	-
Proceeds from the sale of capital assets	1,826	6,228
Acquisition and construction of capital assets	(345,945)	(267,797)
Proceeds from short-term financing	-	25,079
Payments on short-term financing	(39,636)	-
Principal paid on capital-related debt	(49,405)	(42,835)
Interest paid on capital-related debt	(23,117)	(19,395)
Net cash used by capital financing activities	(92,220)	(119,093)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	803,106	1,061,668
Interest on investments	23,933	4,818
Purchases of investments	(903,876)	(1,158,736)
Net cash used by investing activities	(76,837)	(92,250)
Net increase in cash and cash equivalents	35,176	20,372
Cash and cash equivalents - beginning of year	321,318	300,946
Cash and cash equivalents - end of year	$ 356,494	$ 321,318

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

Statement of Cash Flows (continued)

	2023	2022 (restated)
Reconciliation of net operating expenses to net cash used by operating activities		
Operating loss	$ (381,551)	$ (325,577)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization expense	151,013	139,660
Changes in assets, deferred outflows, liabilities and deferred inflows		
Receivables, net	(38,868)	(19,392)
Inventories	(2,239)	(2,473)
Prepaid and other asset items	13,503	(4,429)
Other postemployment benefits asset	2,134	(4,496)
Notes receivable, net	4,718	2,000
Deferred outflow for VRS pension	13,383	30,292
Deferred outflow for other postemployment benefits	346	3,313
Accounts payable and other liabilities	(694)	10,999
Accrued payroll	27,404	(4,307)
Compensated absences	6,941	(1,853)
Unearned revenue	(5,337)	14,371
Pension liability	69,162	(231,023)
Other postemployment benefits liability	(7,249)	(31,523)
Federal loan contributions refundable	(4,897)	(2,137)
Deferred inflow for VRS pension	(109,998)	167,244
Deferred inflow for other postemployment benefits	(21,751)	9,062
Deferred inflow for long-term leases	491	(78)
Scholarship and other miscellaneous custodial accounts, net	(2,176)	(1,114)
Total adjustments	95,886	74,116
Net cash used by operating activities	$ (285,665)	$ (251,461)
Noncash investing, capital, and financing activities		
Change in accounts receivable related to non-operating income	$ (9,111)	$ 6,486
Capital assets acquired through in-kind donations as a component of capital gifts and grants income	$ 542	$ 12,741
Change in fair value of investments recognized as a component of investment income	$ 30,466	$ (65,987)
Change in value of interest payable affecting interest paid	$ 1,854	$ (448)
Capital assets acquired through the assumption of a liability (long-term leases and SBITAs)	$ 124,918	$ 12,040
Change in interest receivable affecting interest income	$ 2,666	$ (299)
Loss on disposal of capital assets	$ (1,473)	$ (970)
Amortization of bond discount and net loss on debt refunding	$ (2,610)	$ (2,130)
Retainage payable	$ 16,864	$ 9,158
Change in pension liability recognized as a component of non-operating revenue	$ 15,354	$ 3,347

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

Notes to Financial Statements

Contents

1. Summary of Significant Accounting Policies

Reporting Entity

Virginia Polytechnic Institute and State University is a public land-grant university serving the Commonwealth of Virginia, the nation, and the world community. The discovery and dissemination of new knowledge are central to its mission. Through its focus on teaching and learning, research and discovery, and outreach and engagement, the university creates, conveys, and applies knowledge to expand personal growth and opportunity, advance social and community development, foster economic competitiveness, and improve the quality of life.

The university includes all funds and entities over which the university exercises or can exercise oversight authority for financial reporting purposes.

Under Section 2100 of the GASB codification, Virginia Tech Foundation Inc. (VTF or 'the foundation') is included as a component unit of the university.

A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the commonwealth exercises or can exercise oversight authority. The university is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the commonwealth.

Virginia Tech Foundation Inc.

The foundation is a legally separate, tax-exempt organization established in 1948 to receive, manage, and disburse private gifts in support of Virginia Tech programs. A twenty to thirty-five member board of directors and four ex-officio positions govern the foundation. The foundation's bylaws provide that the rector of the board of visitors, the president of the university, the president of the alumni association, and the president of the athletic fund shall serve as ex-officio members of the board. The remainder of the board consists of alumni and friends of the university who actively provide private support for university programs. Directors are elected by a vote of the membership of the foundation. Membership is obtained by making gifts at or above a specified level to the foundation.

The foundation serves the university by generating significant funding from private sources and aggressively managing its assets to provide funding that supplements state appropriations. It provides additional operating support to colleges and departments, helps fund major building projects, and provides seed capital for new university initiatives. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources or income which the foundation holds and invests is restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by or for the benefit of the university, the foundation is considered a component unit of the university. It is discretely presented in the financial statements. The administrative offices of Virginia Tech Foundation Inc. are located at University Gateway Center, 902 Prices Fork Road, Blacksburg, Virginia 24061.

During this fiscal year, the foundation distributed $115,616,000 to the university for both restricted and unrestricted purposes.

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.

Basis of Accounting
For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the university's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

Short-term Investments
Short-term investments include securities with an original maturity over 90 days but less than or equal to one year at the time of purchase.

Investments
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*, require that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value (see Note 4). Changes in unrealized gain or loss on the carrying value of the investments are reported as a part of investment income in the *Statement of Revenues, Expenses, and Changes in Net Position.*

Accounts Receivable
Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from federal, state, and local governments, as well as nongovernmental sources, in connection with reimbursement of allowable expenses made according to the university's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. Accounts receivable include amounts owed from lessees for the present service capacity of university assets. Lease receivables are recognized when the net present value of future minimum lease payments is $50,000 or greater. See Note 5 for a detailed list of accounts receivable amounts by major categories.

Notes Receivable
Notes receivable consist of amounts due from the Health Professions Student Loan Program, other student loans, and loans to affiliated organizations. See Note 6 for a list of notes receivable amounts by major categories.

Inventories
Inventories are stated at the lower of cost or market value (primarily first-in, first-out method) and consist mainly of expendable supplies for operations of auxiliary enterprises and fuel for the physical plant.

Prepaid Expenses
Prepaid expenses are expenses for future fiscal years that were paid in advance of June 30, 2023. Payments of expenses that extend beyond fiscal year 2024 are classified as noncurrent assets. Prepaid expenses consist primarily of library serial subscriptions, information technology contracts, property leases, and insurance.

Noncurrent Cash and Investments
Noncurrent cash and investments are reported as restricted because restrictions change the nature or normal understanding of the availability of the asset. These cash and investments include those restricted for the acquisition or construction of capital assets, those kept legally separate for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and other restricted investments to make debt service payments or purchase other noncurrent assets.

Capital Assets
Capital assets consisting of land, buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress, equipment in process, and software in development are capitalized at actual cost as expenses are incurred. Library materials are valued using published average prices for library acquisitions, and livestock is stated at estimated market value. All gifts of capital assets are recorded at acquisition value as of the date of donation.

Intangible right-to-use assets consisting of the right-to-use land, buildings, infrastructure, and equipment are stated at the net present value of future minimum lease payments at the commencement of the lease term. Intangible right-to-use assets are recognized when the net present value of future minimum lease payments is $50,000 or greater. Upfits, tenant improvements, construction, and other renovations are capitalized at actual cost as expenses are incurred.

Subscription-based information technology arrangements (SBITAs) are stated at the net present value of future minimum lease payments at the commencement of the subscription term. SBITA assets are recognized when the net present value of future minimum subscription payments is $50,000 or greater. Implementation costs occurred in the initial implementation stage are capitalized at actual cost as expenses are incurred.

Equipment is capitalized when the unit acquisition cost is $2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the sum of the acquisition and development costs exceed $100,000. Renovation costs are capitalized when expenses total more than $100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, 10 to 50 years for infrastructure and land improvements, 10 years for library books, and 3 to 30 years for fixed and movable equipment. Right-to-use lease assets and SBITAs are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Amortization expense is combined with depreciation expense in *the Statement of Revenues, Expenses, and Changes in Net Position.* Livestock is not depreciated, as it tends to appreciate over the university's normal holding period.

Special collections are not capitalized due to the collections being: (1) held for public exhibition, education, or research in the furtherance of public service rather than financial gain; (2) protected, kept unencumbered, cared for, and preserved; and (3) subject to university policy requiring the proceeds from the sales of collection items to be used to acquire other items for collections.

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

Other Postemployment Benefits
Pre-Medicare Retiree Healthcare Plan – Pre-Medicare Retiree Healthcare is a single-employer defined benefit plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Ti-

tle 2.2, Chapter 28, *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, Virginia Tech no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

Group Life Insurance – The VRS Group Life Insurance (GLI) program is a multiple-employer, cost-sharing plan. It provides coverage to state employees, teachers and employees of participating political subdivisions. The GLI program was established under §51.1-500 et seq., *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a group life insurance benefit for employees of participating employers.

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

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

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

For measuring the liability of these OPEB programs, their expenses, deferred outflows and inflows of resources, information about their fiduciary net positions, and additions to or deductions from their net fiduciary positions have been determined on the same basis as reported by VRS. In addition, benefit payments for these programs are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accrued Compensated Absences

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

Unearned Revenues

Unearned revenue represents revenue collected but not earned as of June 30, 2023, primarily composed of revenue for grants and contracts, prepaid athletic ticket sales, and prepaid student tuition and fees. Summer Session I tuition and fees received during the fiscal year are considered earned at the end of the refund period, approximately June 15th of each year. Tuition and fees received before year end for Summer Session II are unearned and recognized as revenue in the next fiscal year. Summer Session III is twelve weeks long and spans across fiscal years 2023 and 2024. The tuition and fees received for Summer Session III are considered half earned by June 30th, and half unearned and recognized as revenue in the next fiscal year. See Note 9 for a detailed list of unearned revenue amounts.

Funds Held in Custody for Others

Funds held in custody for others represents funds held by the university on behalf of others as a result of agency relationships with various groups and organizations.

Noncurrent Liabilities

Noncurrent liabilities include: (1) the principal amounts of revenue bonds payable, notes payable, and finance purchase obligations with maturities greater than one year; (2) long-term lease obligations; (3) pension plan liabilities; (4) SBITA obligations; (5) OPEB liabilities; and (6) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

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 component of net position, expendable – The expendable category of the restricted component of net position includes resources for which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Restricted component of net position, nonexpendable – The nonexpendable category of the restricted component of net position is comprised of endowment and similar type funds 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 to produce present and future income to be expended or added to principal.
- Unrestricted component of net position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to educational departments and general operations of the university and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to apply the expense towards restricted resources before unrestricted resources.

Income Taxes

The university is considered an agency of the Commonwealth of Virginia and, as such, is exempt from federal income tax under Section 115(a) of the Internal Revenue Code.

Classifications of Revenues and Expenses

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

- Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowance; (3) most federal, state, local, and nongovernmental grants and contracts and federal appropriations; and (4) interest on institutional student loans.

- Non-operating revenues – Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments* are included in this category.
- Operating and non-operating expenses – Non-operating expenses include interest on debt related to the purchase of capital assets, and losses on disposal of capital assets. All other expenses are classified as operating expenses.

Scholarship Allowance

Student tuition and fees, certain auxiliary revenues, and student financial assistance expenses are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Position.* Scholarship allowance is the difference between the stated charge for goods and services provided by the university and the amount paid by students and third parties making payments on the students' behalf. For the fiscal year ended June 30, 2023, the scholarship allowance for student tuition and fee revenue and auxiliary enterprise revenue totaled $160,794,000 and $35,106,000, respectively. Scholarship allowance to students is reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is an algorithm that computes scholarship allowance on a university-wide basis rather than on an individual student basis.

Implementation of GASB Statement 96

In May 2020, GASB issued Statement 96, *Subscription-Based Information Technology Arrangements (SBITAs).* This statement provides guidance on the accounting and financial reporting SBITAs for government end users (governments). This statement establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement 87, *Leases*, as amended.

The university adopted Statement 96 in fiscal year 2023 with an implementation of July 1, 2021 and fiscal year ending June 30, 2022 has been restated. The restatement is as follows *(all dollars in thousands):*

Net Position June 30, 2022	$	2,123,942
Depreciable capital assets, net		12,763
Accounts payable		220
Accrued interest		(52)
Long-term SBITAs, current		(4,476)
Long-term SBITAs, noncurrent		(7,069)
Adjusted Net Position June 30, 2022	$	2,125,328

Comparative Data

The university presents its financial information on a comparative basis. The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the university's financial statements for the year ended June 30, 2022, from which the summarized information was derived. Certain amounts from the prior year have been restated due to the implementation of GASB Statement 96. Prior reports can be found at: www.controller.vt.edu/resources/financialreporting.html.

2. Related Parties

In addition to the component unit discussed in Note 1, Virginia Tech also has related parties that were not considered significant. These financial statements do not include the assets, liabilities, and net position of the related parties that support university programs. The related parties of the university are: Virginia Tech Services Inc., Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., Virginia Tech Intellectual Properties Inc., Virginia Tech Corps of Cadets Alumni Inc., Virginia Tech Applied Research Corporation, Virginia Tech Innovations Corporation, Virginia Tech India Research and Education Forum, and any of the subsidiaries of these corporations.

The organizations are related to the university by affiliation agreements. These agreements require an annual audit to be performed by independent auditors. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Exemption requirements are met by Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., and Virginia Tech Corp of Cadets Alumni Inc. They are therefore not required to have an annual audit. Virginia Tech Services Inc., Virginia Tech Intellectual Properties Inc., Virginia Tech Applied Research Corporation, Virginia Tech Innovations Corporation, and Virginia Tech India Research and Education Forum are required to have an annual audit. Auditors have examined the financial records of these organizations and a copy of their audit reports have been or will be provided to the university.

3. Local Government Support

The university, through the operation of its Cooperative Extension Service, maintains offices in numerous cities and counties throughout the Commonwealth of Virginia. Personnel assigned to these locations receive a portion of their compensation from local governments. Also included in the expenses of these extension offices are unit support services, which include such items as rent, telephone, supplies, equipment, and extension program expenses. The estimated amount contributed by the various local governments totaled $12,086,000 in 2023, and has been included in revenues and expenses of the accompanying financial statements. The university received other local government support of $2,516,000 in 2023.

4. Cash, Cash Equivalents, and Investments

The following information is provided with respect to the university's cash, cash equivalents, and investments as of June 30, 2023. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures:*

Custodial credit risk (category 3 deposits and investments) – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university had no category 3 deposits or investments for 2023.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk.

Concentration of credit risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer is referred to as concentration of credit risk. GASB Statement 40 requires disclosure of any issuer with which more than five percent of total investments are held. More than five percent of the university's investments are in the Federal Home Loan Banks (FHLB). These comprise 12.0% of the university's total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Additionally, the university's investment policy requires that each individual portfolio within the primary liquidity or extended duration allocations be diversified so that not more than three percent of the value of the respective portfolios will be invested in the securities or individual trusts of any single issuer. The limitation shall not apply to securities of the U.S. Government, an agency thereof, U.S. Government sponsored enterprises, securities fully insured or fully guaranteed by the U.S. Government, or money market funds.

Interest rate risk – This is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. The university uses a duration methodology to measure the maturities of its investment portfolios. The university's *Statement of Policy Governing the Investment of University Funds* established two major allocations, Primary Liquidity and Extended Duration, managed by external investment firms. Asset allocations to Primary Liquidity are targeted at 45% of total investments with a target duration of approximately 55 days. The Extended Duration allocation may be structured into three sub-portfolios: a Short Duration Portfolio, an Intermediate Duration Portfolio, and a Long Duration Portfolio.

Foreign currency risk – This risk refers to the possibility that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The university had no foreign investments or deposits for 2023.

Cash and Cash Equivalents

Cash deposits held by the university are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia.* Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit, and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP®). SNAP® offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, as well as record keeping, depository, and arbitrage rebate calculations. SNAP® complies with all standards of GASB Statement 79, *Certain External Investment Pools and Pool Participants.* SNAP® investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a net asset value (NAV) per share that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

Investments

A categorization of university investments follows. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

The investment policy of the university is established by the board of visitors and monitored by the board's Finance and Resource Management Committee. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4516, et seq., *Code of Virginia.* Authorized investments include: U.S. Treasury and agency securities, corporate debt securities, asset-backed securities, mortgage-backed securities, AAA rated obligations of foreign governments, banker's acceptances and bank notes, negotiable certificates of deposit, repurchase agreements, commercial paper, and money market funds.

All gifts, local funds, and nongeneral fund reserves and balances that the university determines appropriate and permitted by law may be invested in the VTF Consolidated Endowment Program. These funds are governed by the foundation's investment and spending policies, and managed in accordance with the provisions of the *Virginia Uniform Prudent Management of Institutional Funds Act.*

Summary of investments
As of June 30, 2023
(all dollars in thousands)

	Current Assets	Noncurrent Assets	Total
Cash and cash equivalents	$ 236,876	$ 119,618	$ 356,494
Short-term investments	-	2,112	2,112
Long-term investments	-	910,188	910,188
Cash and investments	$ 236,876	$ 1,031,918	1,268,794
Less cash			25,955
Total investments			$ 1,242,839

Investments Measured at Fair Value including categorizaton of credit quality and interest rate risk
Investments held on June 30, 2023
(all dollars in thousands)

	Credit Rating	Less than 1 Year	1-5 Years	6/30/2023	Fair Value Measurement* Level 1	Fair Value Measurement* Level 2
Investments by fair value level						
U.S. Treasury and Agency securities [1]	N/A	$ 32,333	$ 51,954	$ 84,287	$ 84,287	$ -
Debt securities						
Corporate bonds & notes	A1	10,317	19,729	30,046	-	30,046
Corporate bonds & notes	A2	16,749	21,376	38,125	-	38,125
Corporate bonds & notes	A3	9,206	14,549	23,755	-	23,755
Corporate bonds & notes	Aa2	-	3,130	3,130	-	3,130
Corporate bonds & notes	Aa3	1,406	-	1,406	-	1,406
Corporate bonds & notes	Aaa	191	1,600	1,791	-	1,791
Commercial paper	P-1	10,256	-	10,256	-	10,256
Commercial paper [2]	A-1	5,823	-	5,823	-	5,823
Repurchase agreements	N/A	14,144	-	14,144	-	14,144
Asset backed securities	Aaa	24,185	43,884	68,069	-	68,069
Asset backed securities [2]	AAA	12,695	29,840	42,535	-	42,535
Asset backed securities	NR	-	2,434	2,434	-	2,434
Federal agency securities						
Unsecured bonds and notes	Aaa	178,236	4,571	182,807	-	182,807
Mortgage backed securities	Aaa	-	14,861	14,861	-	14,861
Money market & mutual funds						
Money market funds	N/A	161	-	161	161	-
Mutual funds	N/A	4,210	-	4,210	4,210	-
Total investments by fair value level		319,912	207,928	527,840	$ 88,658	$ 439,182
Investments measured at net asset value (NAV)						
Deposits with VTF		5,889	-	5,889		
Dairymen's Equity without specific maturity		-	-	63		
Investments without specific maturities, held with VTF		-	-	575,876		
Total investments measured at NAV		5,889	-	581,828		
Investments not measured at fair value						
Money market funds	AAA-mf	41,437	-	41,437		
Virginia SNAP® funds [2]	AAAm	91,734	-	91,734		
Total investments not measured at fair value		133,171	-	133,171		
Total investments		$ 458,972	$ 207,928	$ 1,242,839		

**Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.*

(1) Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the U.S. Government.
(2) Rating provided by S&P Global Ratings. All other ratings provided by Moody's Investors Service Inc.

Investments measured at NAV are as follows:	Balance at 6/30/2023	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Deposits with VTF [a]	$ 5,889	N/A	Quarterly	90 days
Dairymen's Equity without specific maturity [b]	$ 63	N/A	N/A	N/A
Investments without specific maturities, held with VTF [c]	$ 575,876	N/A	Quarterly	90 days

(a) The amount represents earnings that are to be transferred to the university or reinvested upon instruction.
(b) The amount represents the university's membership in the Dairymen's Farmer Cooperative.
(c) The amount represents university funds invested with the Virginia Tech Foundation (see Note 27).

5. Accounts Receivable

Accounts receivable as of June 30, 2023
(all dollars in thousands)

Current accounts receivable		
Grants and contracts	$	92,115
Student tuition and fees		4,967
Accrued investment interest		3,182
Federal appropriations		638
Long-term leases receivable		73
Auxiliary enterprises and other operating activities		31,536
Total current receivables before allowance		132,511
Less allowance for doubtful accounts		4,351
Net current accounts receivable		128,160
Noncurrent accounts receivable		
Capital gifts, grants, and other receivables		8,131
Long-term leases receivable		1,369
Accrued investment interest		577
Build America Bond interest receivable		119
Total noncurrent receivables		10,196
Total receivables	$	138,356

Long-term leases receivable

Leases receivable represent the university's contractual receipts for the right to use the present service capacity of its assets. These receivables are for cell tower leases on the Blacksburg main campus. The university's lease agreements for cell towers typically have an initial term of 10 years with five-year renewal options. The lending rates on the university's receivable leases are 3.25%.

The university leases indirectly to cell carriers through a ground lease with a subsidiary of the foundation and directly with cell carriers. The university's present receivable portfolio does not contain provisions for variable payments based on the university's future performance or usage of the underlying assets. Additionally, university's present receivable portfolio does not contain provisions for residual value guarantees. The university had no impairment losses on its lease receivable portfolio in fiscal year 2023.

Future Lease Payments Receivable
For fiscal years subsequent to 2023
(all dollars in thousands)

	Principal	Interest	Total
2024	$ 73	$ 49	$ 122
2025	74	47	121
2026	80	44	124
2027	85	41	126
2028	91	38	129
2029-2033	449	148	597
2034-2038	322	73	395
2039-2043	120	42	162
2044-2048	148	14	162
Total future payments receivable	$ 1,442	$ 496	$ 1,938

6. Notes Receivable

Notes receivable as of June 30, 2023
(all dollars in thousands)

Current notes receivable		
VTT LLC operating & equipment loan	$	298
Brookings student loan programs		142
Other short-term loans		63
Total current notes receivable		503
Less allowance for doubtful accounts		26
Net current notes receivable		477
Noncurrent notes receivable		
VTT LLC operating & equipment loan		4,009
Brookings student loan programs		941
Health Professions student loan program		611
Other short-term loans		294
Total noncurrent notes receivable		5,855
Less allowance for doubtful accounts		167
Net noncurrent notes receivable		5,688
Total notes receivable	$	6,165

7. Capital Assets

A summary of changes in capital assets for the year ending June 30, 2023
(all dollars in thousands)

	Beginning Balance *(restated)*	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	$ 2,281,527	$ 157,833	$ 34	$ 2,439,326
Buildings - financed purchase	13,952	-	-	13,952
Moveable equipment	687,046	68,867	36,643	719,270
Capitalized software and other intangible assets	39,599	631	152	40,078
Fixed equipment	172,473	7,090	356	179,207
Fixed equipment - financed purchase	659	-	-	659
Infrastructure	138,182	8,374	-	146,556
Library books	78,806	712	213	79,305
Right-to-use intangible assets				
Land	4,270	214	42	4,442
Buildings	155,956	125,178	15,273	265,861
Equipment	2,145	-	-	2,145
Infrastructure	181	-	-	181
Subscription-based IT arrangements	16,649	12,645	379	28,915
Total depreciable capital assets, at cost	3,591,445	381,544	53,092	3,919,897
Less accumulated depreciation and amortization				
Buildings	792,686	59,123	29	851,780
Buildings - financed purchase	4,651	581	-	5,232
Moveable equipment	513,234	47,374	34,882	525,726
Capitalized software and other intangible assets	30,278	2,848	152	32,974
Fixed equipment	99,601	7,638	100	107,139
Fixed equipment - financed purchase	220	27	-	247
Infrastructure	109,970	3,022	-	112,992
Library books	73,957	945	213	74,689
Right-to-use intangible assets				
Land	377	236	-	613
Buildings	34,229	23,028	9,990	47,267
Equipment	1,073	536	-	1,609
Infrastructure	61	31	-	92
Subscription-based IT arrangements	3,886	5,624	379	9,131
Total accumulated depreciation and amortization	1,664,223	151,013	45,745	1,769,491
Total depreciable capital assets, net of accumulated depreciation and amortization	1,927,222	230,531	7,347	2,150,406
Nondepreciable capital assets				
Land	49,652	-	-	49,652
Livestock	327	65	-	392
Construction in progress	306,325	282,603	170,253	418,675
Equipment in process	8,476	15,821	6,845	17,452
Software in development	441	-	441	-
Total nondepreciable capital assets	365,221	298,489	177,539	486,171
Total capital assets, net of accumulated depreciation and amortization	$ 2,292,443	$ 529,020	$ 184,886	$ 2,636,577

The university contracted during fiscal year 2023 with a professional engineering firm to conduct a building componentization study of research buildings constructed since the prior study completed in fiscal year 2014. This engineering study provided a discrete classification of building components attributed to research-intensive buildings. The results of the survey were used to reclassify beginning balances between the building, infrastructure, and fixed equipment categories. This activity was conducted as part of the federal facilities and administrative cost proposal process.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2023
(all dollars in thousands)

Accounts payable	$ 50,831
Accounts payable, capital projects	51,698
Accrued salaries and wages payable	112,806
Retainage payable	16,864
Total current accounts payable and accrued liabilities	$ 232,199

Retainage payable represents funds held by the university as retainage on various construction contracts for work performed. Funds retained will be remitted as agreed upon satisfactory completion of the projects.

9. Unearned Revenue

Unearned revenue at June 30, 2023
(all dollars in thousands)

Grants and contracts	$ 28,221
Prepaid tuition and fees	12,310
Prepaid athletic events	12,044
Other auxiliary enterprises	4,307
Total unearned revenue	$ 56,882

10. Commonwealth Capital Reimbursement Programs and Capital Gifts

The commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2023, funding has been provided to the university from three programs (21st Century program, Central Maintenance Reserve program and the Equipment Trust Fund program) 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 university also receives capital funding for equipment and facilities from private gifts, grants, and contracts.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes the amounts listed below for the year ended June 30, 2023, in "Capital Grants and Gifts" line item for equipment and facilities. Part of the funding for these programs is a receivable from the commonwealth at June 30, 2023 as shown in the subsequent paragraph *(all dollars in thousands)*:

VCBA 21st Century program	$ 133,248
Private gifts	13,998
VCBA Central Maintenance Reserve program	228
VCBA Equipment Trust Fund program	16,921
Grants and contracts	4,819
	$ 169,214

The line items, "Due from the Commonwealth of Virginia", on the *Statement of Net Position* for the year ended June 30, 2023, include pending reimbursements from the following programs *(all dollars in thousands)*:

	Current	Noncurrent
VCBA Equipment Trust Fund program	$ 15,417	$ -
VCBA 21st Century program	-	31,072
Capital appropriations receivable	-	31,445
	$ 15,417	$ 62,517

11. Short-term Debt

In August of 2021, the Virginia Tech Board of Visitors authorized the university to issue its own commercial paper on a tax-exempt or taxable basis in an aggregate principal amount of up to $175 million. At June 30, 2023, the amount outstanding was $6,813,000. The average days-to-maturity was 45 days with a weighted average effective interest rate of 3.19%.

J.P. Morgan is the university's dealer and BNY Mellon is the issuing and paying agent. This short-term debt finances capital projects on an interim basis pending long-term bond financing.

12. Summary of Long-term Indebtedness

Bonds Payable

The university has issued two categories of bonds pursuant to Article X, Section 9, Constitution of Virginia.

Section 9(d) bonds are revenue bonds which are limited obligations of the university, payable exclusively from pledged general revenues, and which are not legal or moral debts of the Commonwealth of Virginia. Pledged general revenues include general fund appropriations, student tuition and fees, facilities and administrative (indirect) cost recoveries, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The university has issued section 9(d) bonds directly through underwriters and also 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 section 9(d) bonds with the proceeds used to purchase debt obligations (notes) of the university and other institutions of higher education. The notes are secured by pledged general revenues of the university.

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

Bond covenants related to some of these bonds, both 9(c) and 9(d), require the use of established groups of funds called systems. The Virginia Tech Foundation Inc. and investment firms BNY Mellon Investment Management and Merganser Capital Management hold these funds in trust for managing the net revenues and debt service of certain university auxiliaries. The revenue bonds issued by the Dormitory and Dining Hall System, the Athletic Facilities System, the University Services System (includes Career and Professional Development, Center for the Arts, Health Services, Recreational Sports, Student Engagement and Campus Life, Cultural and Community Centers, Student Organizations, and the VT Rescue Squad), and the Utility System (includes Virginia Tech Electric Service) are secured by a pledge of each system's net revenues generated from student or customer fees, and are further secured by the pledged general revenues of the university.

Notes Payable

Notes payable are debt obligations between VCBA and the university. VCBA issues bonds through the Pooled Bond Program and uses the proceeds to purchase debt obligations (notes) on behalf of the university. The notes are secured by the pledged general revenues of the university.

Finance Purchase Obligation

The university has a finance purchase obligation with the Virginia Tech Foundation Inc. for the Kentland Farm dairy complex. Under the terms of the lease agreement, ownership of the property will be transferred to the university at the end of the lease. The university accounted for the financed purchases as additions to capital assets in the year of the agreement and recorded a corresponding finance purchase obligation in long-term debt, both of which are included in the *Statement of Net Position* as of June 30, 2023.

Revolving Lines of Credit

The university has executed revolving lines of credit with Truist Bank ($308,000,000), Wells Fargo Bank N.A. ($35,000,000), and The First Bank and Trust Company ($30,000,000). The agreement with Truist Bank includes a standby liquidity support agreement to provide a revolving line of credit as liquidity to support the university's commercial paper program with a maximum principal amount of $175,000,000. As of June 30, 2023, the maximum principal amount available was $373,000,000 and there were no advances outstanding on these revolving lines of credit.

Long-term Debt Payable Activity
As of June 30, 2023
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Bonds payable					
Section 9(c) general obligation revenue bonds	$ 176,393	$ 100,424	$ 14,426	$ 262,391	$ 14,139
Section 9(d) revenue bonds	81,833	-	2,832	79,001	4,475
Notes payable	158,280	104,241	6,699	255,822	13,125
Finance purchase obligations	11,050	-	490	10,560	515
Total long-term debt payable	$ 427,556	$ 204,665	$ 24,447	$ 607,774	$ 32,254

Future Principal Commitments
For fiscal years subsequent to 2023
(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Finance Purchase Obligations	Total Long-term Debt Payable
2024	$ 14,139	$ 4,475	$ 13,125	$ 515	$ 32,254
2025	15,749	4,870	15,575	530	36,724
2026	16,955	4,745	15,805	560	38,065
2027	17,627	4,910	15,495	585	38,617
2028	16,791	5,055	14,865	605	37,316
2029-2033	61,750	27,330	69,505	3,485	162,070
2034-2038	51,450	18,700	44,930	4,280	119,360
2039-2043	35,990	6,725	25,515	-	68,230
2044-2048	7,020	-	18,000	-	25,020
2049-2053	6,920	-	6,865	-	13,785
Unamortized premiums (discounts)	18,000	2,191	16,142	-	36,333
Total future principal requirements	$ 262,391	$ 79,001	$ 255,822	$ 10,560	$ 607,774

Future Interest Commitments
For fiscal years subsequent to 2023
(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Finance Purchase Obligations	Total Long-term Debt Payable
2024	$ 9,277	$ 2,181	$ 8,861	$ 457	$ 20,776
2025	8,699	2,038	8,152	440	19,329
2026	8,047	1,899	7,666	414	18,026
2027	7,333	1,741	7,161	386	16,621
2028	6,575	1,601	6,637	366	15,179
2029-2033	24,499	5,920	25,104	1,384	56,907
2034-2038	14,910	1,879	14,491	588	31,868
2039-2043	6,537	257	7,343	-	14,137
2044-2048	2,744	-	3,231	-	5,975
2049-2053	886	-	708	-	1,594
Total future interest requirements	$ 89,507	$ 17,516	$ 89,354	$ 4,035	$ 200,412

Future Principal Commitments by System
For fiscal years subsequent to 2023
(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Finance Purchase Obligations	Total Long-term Debt Payable
Athletic system					
Principal	$ -	$ 35,505	$ -	$ -	$ 35,505
Unamortized premiums (discounts)	-	(3)	-	-	(3)
Total for athletic system	-	35,502	-	-	35,502
Dormitory and dining hall system					
Principal	199,074	36,055	17,675	-	252,804
Unamortized premiums (discounts)	15,170	2,073	1,181	-	18,424
Total for dormitory and dining hall system	214,244	38,128	18,856	-	271,228
Electric service utility system					
Principal	-	3,030	-	-	3,030
Unamortized premiums (discounts)	-	92	-	-	92
Total for utility system	-	3,122	-	-	3,122
University services system					
Principal	-	2,220	81,750	-	83,970
Unamortized premiums (discounts)	-	29	5,506	-	5,535
Total for university services system	-	2,249	87,256	-	89,505
All systems					
Principal	199,074	76,810	99,425	-	375,309
Unamortized premiums (discounts)	15,170	2,191	6,687	-	24,048
Total for all systems	214,244	79,001	106,112	-	399,357
Other nonsystem debt					
Principal	45,317	-	140,255	10,560	196,132
Unamortized premiums (discounts)	2,830	-	9,455	-	12,285
Total for other nonsystem debt	48,147	-	149,710	10,560	208,417
Total future principal requirements	$ 262,391	$ 79,001	$ 255,822	$ 10,560	$ 607,774

13. Detail of Long-term Indebtedness

As of June 30, 2023
(all dollars in thousands)

	Interest Rates	Maturity	Principal Payable	Unamortized Premium (Discount)	Ending Balance
Bonds payable					
Revenue bonds - Section 9(d)					
Athletic system					
Series 2015B, issued $510	2.50% - 3.50%	2035	$ 510	$ (3)	$ 507
Series 2021, issued $40	2.15%	2036	40	-	40
Series 2021, issued $21,825 - refunding 2012B note payable	0.40% - 2.55%	2041	21,825	-	21,825
Series 2021, issued $7,055 - refunding 2010B note payable	0.40% - 2.55%	2041	7,055	-	7,055
Series 2021, issued $6,075 - refunding 2016A note payable	0.40% - 2.55%	2041	6,075	-	6,075
Total athletic system			35,505	(3)	35,502
Dormitory and dining hall system					
Series 2015A, issued $51,425	3.00% - 5.00%	2035	36,055	2,073	38,128
Electric service utility system					
Series 2015D, issued $4,390	2.75% - 4.00%	2035	3,030	92	3,122
University services system					
Recreational sports auxiliary					
Series 2015C, issued $3,280	2.75% - 3.50%	2035	2,220	29	2,249
Total revenue bonds			76,810	2,191	79,001
General obligation revenue bonds - Section 9(c)					
Dormitory and dining hall system					
Series 2012A, issued $942 - partial refunding series 2004A	5.00%	2024	363	20	383
Series 2013B, issued $7,842 - partial refunding series 2007A	4.00%	2027	3,850	414	4,264
Series 2013B, issued $3,576 - partial refunding series 2007A	4.00%	2027	1,756	189	1,945
Series 2015B, issued $10,671 - partial refunding series 2008B	5.00%	2028	6,025	883	6,908
Series 2016B, issued $24,200 - partial refunding series 2009B	2.00% - 5.00%	2029	15,875	2,221	18,096
Series 2016B, issued $2,310 - partial refunding series 2009B	2.00% - 5.00%	2029	1,510	212	1,722
Series 2010A, issued $34,650	3.60% - 4.40%	2030	14,640	230	14,870
Series 2020B, issued $13,070 - refunding series 2011A	0.55% - 1.41%	2031	11,750	36	11,786
Series 2020A, issued $84,305	1.63% - 4.00%	2040	77,800	6,933	84,733
Series 2022A, issued $40,100	4.13% - 5.00%	2042	40,100	2,486	42,586
Series 2022A, issued $25,405	4.13% - 5.00%	2042	25,405	1,546	26,951
Total dormitory and dining hall system			199,074	15,170	214,244
Other nonsystem general obligation revenue bonds					
Parking facilities					
Series 2013B, issued $218 - partial refunding series 2006B	4.00%	2026	140	8	148
Series 2015B, issued $921 - partial refunding series 2008B	5.00%	2028	512	76	588
Series 2010A, issued $745	3.60% - 4.40%	2030	305	5	310
Series 2016B, issued $18,890 - partial refunding series 2009B	2.00% - 5.00%	2034	14,985	1,485	16,470
Series 2022A, issued $29,375	4.13% - 5.00%	2052	29,375	1,256	30,631
Total other nonsystem general obligation revenue bonds			45,317	2,830	48,147
Total general obligation revenue bonds			244,391	18,000	262,391
Total bonds payable			$ 321,201	$ 20,191	$ 341,392
Notes payable					
Dormitory and dining hall system					
Series 2014B, issued $340 - partial refunding series 2005	4.00%	2026	$ 205	$ 10	$ 215
Series 2021B, issued $795 - partial refunding series 2012A	0.48% - 0.94%	2028	795	1	796
Series 2010A, issued $9,650	4.55% - 5.50%	2031	4,835	175	5,010
Series 2021A, issued $980 - partial refunding series 2010A	2.00% - 3.00%	2033	980	94	1,074
Series 2018A, issued $11,505	4.00% - 5.00%	2039	10,015	901	10,916
Series 2021B, issued $845 - partial refunding series 2018A	2.50% - 2.60%	2041	845	-	845
Total dormitory and dining hall system			17,675	1,181	18,856
University services system					
Career services auxiliary					
Series 2021A, issued $600 - refunding series 2010B	5.00%	2025	600	35	635
Center for the Arts auxiliary					
Series 2010A, issued $19,445	4.55% - 5.60%	2036	12,490	328	12,818
Series 2021A, issued $1,530 - partial refunding series 2010A	2.00%	2038	1,530	50	1,580
Series 2021B, issued $15,655 - refunding series 2011A	0.48% - 2.40%	2039	15,655	3	15,658
Health services and recreational sports auxiliaries					
Series 2015B, issued $800 - partial refunding series 2009A	3.00% - 5.00%	2029	575	62	637
Series 2016A, issued $7,945 - partial refunding series 2009B	3.00% - 5.00%	2030	5,905	819	6,724
Series 2016A, issued $2,780 - partial refunding series 2009B	3.00% - 5.00%	2030	2,065	287	2,352
Series 2021B, issued $175 - partial refunding series 2015B	1.33% - 1.53%	2031	175	-	175
Series 2021B, issued $1,510 - partial refunding series 20016A	1.53% - 1.71%	2032	1,510	-	1,510
Series 2021B, issued $530 - partial refunding series 2016A	1.53% - 1.71%	2032	530	-	530
Series 2023A, issued $40,715	4.00% - 5.00%	2048	40,715	3,922	44,637
Total university services system			81,750	5,506	87,256
Other nonsystem notes payable					
Boiler pollution controls					
Series 2014B, issued $720 - partial refunding series 2006A	5.00%	2024	120	13	133
Series 2016A, issued $375 - partial refunding series 2006A	3.00%	2027	375	15	390
Series 2021B, issued $235 - partial refunding series 2014B	0.94% - 1.13%	2029	235	-	235

Notes payable (continued)	Interest Rates	Maturity	Principal Payable	Unamortized Premium (Discount)	Ending Balance
Campus heating plant					
Series 2014B, issued $1,790 - partial refunding series 2007A	4.00% - 5.00%	2026	755	85	840
Series 2016A, issued $575 - partial refunding series 2007A	3.00% - 5.00%	2028	575	49	624
Series 2016A, issued $3,625 - partial refunding series 2009B	3.00% - 5.00%	2030	2,695	373	3,068
Series 2021B, issued $485 - partial refunding series 2014B	1.13% - 1.33%	2030	485	-	485
Series 2021B, issued $690 - partial refunding series 2016A	1.53% - 1.71%	2032	690	-	690
Chiller plant					
Series 2021B, issued $5,315 - refunding series 2011A	0.48% - 1.91%	2034	5,315	1	5,316
Corps Leadership and Military Sciences Building					
Series 2023A, issued $28,600	4.00% - 5.00%	2053	28,600	2,795	31,395
Data & Decision Sciences Building					
Series 2023A, issued $8,850	4.00% - 5.00%	2043	8,850	1,120	9,970
Goodwin Hall					
Series 2021B, issued $8,320 - partial refunding series 2011A	0.48% - 1.71%	2032	8,270	3	8,273
Hitt Hall					
Series 2023A, issued $11,065	4.00% - 5.00%	2043	11,065	1,434	12,499
Holden Hall					
Series 2019A, issued $7,920	2.25% - 5.00%	2040	7,135	694	7,829
Holtzman Alumni Center and Skelton Conference Center					
Series 2021B, issued $10,840 - refunding series 2012A	0.48% - 1.81%	2033	10,840	4	10,844
ICTAS II					
Series 2016A, issued $8,345 - partial refunding series 2009B	3.00% - 5.00%	2030	6,200	860	7,060
Innovation Campus					
Series 2023A, issued $4,995	4.00% - 5.00%	2053	4,995	356	5,351
Kelly Hall					
Series 2014B, issued $6,040 - partial refunding series 2006A	5.00%	2024	990	111	1,101
Series 2016A, issued $3,180 - partial refunding series 2006A	3.00%	2027	3,180	126	3,306
Life Sciences I Facility					
Series 2021B, issued $1,235 - partial refunding series 2012A	0.48% - 0.50%	2025	1,170	1	1,171
Series 2014B, issued $1,005 - partial refunding series 2005	4.00%	2026	615	29	644
Steger Hall					
Series 2021A, issued $6,785 - refunding series 2010B	5.00%	2030	6,785	1,208	7,993
Veterinary medicine instruction addition					
Series 2021B, issued $6,355 - partial refunding series 2012B	0.48% - 1.81%	2033	6,355	2	6,357
Virginia Tech Carilion biosciences addition					
Series 2017A and 2017B, issued $24,630	2.75% - 3.30%	2038	20,540	136	20,676
Series 2018B, issued $3,965	3.54% - 5.00%	2039	3,420	40	3,460
Total other nonsystem notes payable			140,255	9,455	149,710
Total notes payable			$ 239,680	$ 16,142	$ 255,822
Finance purchase obligation - Kentland Farm dairy complex			$ 10,560	-	$ 10,560

14. Long-term Debt Defeasance

In previous fiscal years, in accordance with GASB Statement 7, *Advance Refundings Resulting in the Defeasance of Debt,* the university excluded from its financial statements the assets in escrow and the debt payable that were defeased in-substance. For the year ending June 30, 2023, bonds and notes payable considered defeased in previous years totaled $34,495,000.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities,* reclassifies losses and gains on defeased debt to deferred outflows of resources or deferred inflows of resources, respectively. The tables below provide detail on the unamortized gains and losses included in the deferred outflows of resources and deferred inflows of resources by bond category for defeased outstanding debt from prior years.

Deferred Outflows for Debt Defeasance
As of June 30, 2023
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds payable				
Section 9(c) general obligation revenue bonds	$ 1,536	$ -	$ 277	$ 1,259
Section 9(d) revenue bonds	636	-	82	554
Notes payable	1,798	-	190	1,608
Total deferred outflows for debt defeasance	$ 3,970	$ -	$ 549	$ 3,421

Deferred Inflows for Debt Defeasance
As of June 30, 2023
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds payable				
Section 9(c) general obligation revenue bonds	$ 433	$ -	$ 50	$ 383
Section 9(d) revenue bonds	172	-	34	138
Notes payable	946	-	111	835
Total deferred inflows for debt defeasance	$ 1,551	$ -	$ 195	$ 1,356

15. Long-term Leases Payable

Long-term leases represent the university's obligation to pay owners for the right to use the present service capacity of their assets. These obligations are primarily for leases of facilities, such as office space in the North End Center and Gilbert Place buildings, the North End Center parking garage, space in the Children's National Hospital, and various office and laboratory spaces in the Virginia Tech Corporate Research Center. The university's lease agreements for facilities typically range from 3-20 years, with renewal options equal to the base term appearing more frequently in the university's 3-5-year lease agreements. The university utilizes stated or implicit rates when determinable, otherwise the university uses its incremental borrowing rate to discount lease payments. The weighted-average remaining lease term on the university's leases is 14.6 years with a weighted-average discount rate of 3.64%.

The university's leases are primarily with the foundation and its subsidiaries. Several of the university's leases with the foundation operate on a non-profit basis, in which the rent owed is trued up at regular intervals to ensure cost-only rent. These agreements make up the majority of the university's 20-year leases. The university's long-term lease portfolio does not contain provisions for variable payments based on the university's future performance or usage of the underlying assets. Additionally, university's long-term lease portfolio does not contain provisions for residual value guarantees. The university had no impairment losses on its long-term lease portfolio in fiscal year 2023. The university has one commitment of $0.1 million commencing in fiscal year 2024.

Long-term Leases Payable Activity
As of June 30, 2023
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Terminations	Ending Balance	Current Portion
Long-term leases payable						
Land	$ 3,014	$ 214	$ 335	$ 42	$ 2,851	$ 265
Building	117,295	112,083	21,048	5,911	202,419	18,937
Equipment	1,138	-	550	-	588	588
Infrastructure	123	-	30	-	93	31
Total long-term leases payable	$ 121,570	$ 112,297	$ 21,963	$ 5,953	$ 205,951	$ 19,821

Future Principal Commitments
For fiscal years subsequent to 2023
(all dollars in thousands)

	Land	Building	Equipment	Infrastructure	Total
2024	$ 265	$ 18,937	$ 588	$ 31	$ 19,821
2025	205	18,552	-	32	18,789
2026	211	18,008	-	30	18,249
2027	187	17,606	-	-	17,793
2028	187	13,879	-	-	14,066
2029-2033	1,041	47,552	-	-	48,593
2034-2038	427	41,345	-	-	41,772
2039-2043	47	22,096	-	-	22,143
2044-2048	66	2,738	-	-	2,804
2049-2053	90	1,706	-	-	1,796
2054-2058	118	-	-	-	118
2059-2063	7	-	-	-	7
Total future principal requirements	$ 2,851	$ 202,419	$ 588	$ 93	$ 205,951

Future Interest Commitments
For fiscal years subsequent to 2023
(all dollars in thousands)

	Land	Building	Equipment	Infrastructure	Total
2024	$ 94	$ 6,923	$ 22	$ 2	$ 7,041
2025	86	6,238	-	2	6,326
2026	80	5,578	-	-	5,658
2027	73	4,923	-	-	4,996
2028	68	4,341	-	-	4,409
2029-2033	240	16,239	-	-	16,479
2034-2038	93	8,598	-	-	8,691
2039-2043	50	2,598	-	-	2,648
2044-2048	42	509	-	-	551
2049-2053	29	80	-	-	109
2054-2058	13	-	-	-	13
2059-2063	-	-	-	-	-
Total future interest requirements	$ 868	$ 56,027	$ 22	$ 4	$ 56,921

16. Long-term Subscription-based Information Technology Arrangements Payable

Subscription-based information technology arrangements (SBITAs) represent the university's obligation to pay vendors for access to their information technology. The university's SBITAs typically range from 2-7 years, with renewal options ranging from 1-3 years. The university utilizes stated or implicit rates when determinable, otherwise the university uses its incremental borrowing rate to discount lease payments. The weighted-average remaining SBITA term on the university's SBITAs is 4.4 years with a weighted-average discount rate of 2.10%.

Some contracts in the university's SBITA portfolio contain provisions for variable payments based upon usage of the underlying assets or additional licenses. The university paid $0.1 million in variable payments during fiscal year 2023. The university had no impairment losses on its SBITA portfolio in fiscal year 2023. The university has committed $1.0 million for two SBITAs commencing in fiscal year 2024.

Long-term Subscription-based Information Technology Arrangements Payable Activity
As of June 30, 2023
(all dollars in thousands)

	Beginning Balance *(restated)*	Additions	Retirements	Terminations	Ending Balance	Current Portion
Long-term SBITAs payable	$ 11,545	$ 12,621	$ 5,958	$ -	$ 18,208	$ 5,410

Future Principal Commitments
For fiscal years subsequent to 2023
(all dollars in thousands)

2024	$ 5,410
2025	3,705
2026	3,007
2027	2,369
2028	1,364
2029-2030	2,353
Total future principal requirements	$ 18,208

Future Interest Commitments
For fiscal years subsequent to 2023
(all dollars in thousands)

2024	$ 197
2025	148
2026	438
2027	160
2028	102
2029-2030	99
Total future interest requirements	$ 1,144

17. Change in Other Liabilities

A summary of the changes in other liabilities for the year ended June 30, 2023 *(all dollars in thousands)*:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 53,785	$ 55,451	$ 48,510	$ 60,726	$ 39,298
Federal student loan program contribution refundable	6,240	-	4,897	1,343	673
Net pension liability	231,055	53,808	-	284,863	-
Other postemployment benefits	149,961	1,549	8,798	142,712	3,642
Total other liabilities	$ 441,041	$ 110,808	$ 62,205	$ 489,644	$ 43,613

18. Capital Improvement Commitments

The amounts listed in the following tables represent the value of obligations remaining on capital improvement project contracts. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. Outstanding contractual commitments for capital improvement projects at June 30, 2023 *(all dollars in thousands)*:

Capital commitments by project	
Innovation Campus	$ 98,405
Student wellness improvements	47,116
Undergraduate science laboratory building	39,038
Hitt Hall and new dining facility	31,137
Mitchell Hall to replace Randolph Hall	10,248
New business building	5,329
Accessibility and code compliance improvements	3,723
Building envelope improvements	3,597
Other projects	6,472
Total	$ 245,065

Capital commitments by funding source	
VCBA 21st Century bonds to be paid by the commonwealth	$ 141,433
Bonds and notes payable to be paid by the university	49,408
Private gifts	40,502
Auxiliary enterprise funds	3,513
Other funds	10,209
Total	$ 245,065

Attachment I

19. Pension Plans

Plan Descriptions

All full-time, salaried, permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan (SERP) or the Virginia Law Officers' Retirement System (VaLORS) retirement plans upon employment, unless they are eligible faculty and choose to enroll in the optional retirement program described in Note 20. These plans are single employer plans treated as cost-sharing plans for financial reporting purposes. These plans are administered by the Virginia Retirement System (VRS or '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 described below.

Retirement Plan Provisions by Plan Structure

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.

Plan 2
Same as Plan 1.

Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit component 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

Eligible Members – Plan 1
Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund. VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Eligible Members – Plan 2
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. Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Eligible Members – Hybrid Plan
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.

*Some state employees are not eligible to participate in the Hybrid Retirement Plan. They include members of the Virginia Law Officers' Retirement System (VaLORS), and employees eligible for an optional retirement plan (ORP) who have prior service under Plan 1 or Plan 2. These employees must select Plan 1 or Plan 2 (as applicable) or the ORP plan.

Retirement Contributions

Retirement Contributions - Plan 1
State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.

Retirement Contributions - Plan 2
Same as Plan 1.

Retirement Contributions - Hybrid Plan
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 - Plan 1
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 - Plan 2
Same as Plan 1.

Service Credit - Hybrid Plan
Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Vesting - Plan 1
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 - Plan 2
Same as Plan 1.

Vesting - Hybrid Plan
Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component: 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.

Distribution is not required, except as governed by law.

Calculating the Benefit

Calculating the Benefit - Plan 1
The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

Calculating the Benefit - Plan 2
See definition under Plan 1.

Calculating the Benefit - Hybrid Plan
Defined Benefit Component: See definition under Plan 1.

Defined Contribution Component: 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

Average Final Compensation - Plan 1
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Average Final Compensation - Plan 2
A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Average Final Compensation - Hybrid Plan
Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Service Retirement Multiplier - Plan 1
For SERP, 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%. The retirement multiplier for VaLORS employees is 1.70% or 2.00%.

Service Retirement Multiplier - Plan 2
For SERP, 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. 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 - Hybrid Plan
Defined Benefit Component: SERP - 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.

Defined Contribution Component: Not applicable.

Normal Retirement Age

Normal Retirement Age - Plan 1
For SERP, age 65. For VaLORS, age 60.

Normal Retirement Age - Plan 2
For SERP, normal Social Security retirement age. For VaLORS, same as Plan 1.

Normal Retirement Age - Hybrid Plan
Defined Benefit Component: SERP - Same as Plan 2; VaLORS - Not applicable.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Earliest Unreduced Retirement Eligibility - Plan 1
For SERP, age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. For VaLORS, age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Unreduced Retirement Eligibility - Plan 2
For SERP, normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. For VaLORS, same as Plan 1.

Earliest Unreduced Retirement Eligibility - Hybrid Plan
Defined Benefit Component: SERP – Same as Plan 2; VaLORS - Not applicable.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Earliest Reduced Retirement Eligibility - Plan 1
For SERP, age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. For VaLORS, age 50 with at least five years of service credit.

Earliest Reduced Retirement Eligibility - Plan 2
For SERP, age 60 with at least five years (60 months) of service credit. For VaLORS, same as Plan 1.

Earliest Reduced Retirement Eligibility - Hybrid Plan
Defined Benefit Component: SERP – Same as Plan 2. For VaLORS - Not applicable.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Cost-of-Living Adjustment (COLA) in Retirement - Plan 1
The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:
For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- 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.

Cost-of-Living Adjustment (COLA) in Retirement - Plan 2
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%. Eligibility rules and exceptions are the same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement - Hybrid Plan
Defined Benefit Component: The COLA is the same as Plan 2. The eligibility rules and exceptions are the same as Plan 1 and Plan 2.

Defined Contribution Component: Not applicable.

Disability Coverage

Disability Coverage - Plan 1
For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. 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 - Plan 2
For 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 - Hybrid Plan
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

Purchase of Prior Service - Plan 1
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 creditable service 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 - Plan 2
Same as Plan 1.

Purchase of Prior Service - Hybrid Plan
Defined Benefit Component: Same as Plan 1, with the exception that Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component: Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required contribution rate for the year ended June 30, 2023 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rate which were based on an 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 Virginia Tech to the VRS State Employee Retirement Plan were $44,415,000 and $41,085,000 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions from Virginia Tech to the VaLORS Retirement Plan were $746,000 and $557,000 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 SERP and $19.9 million to VaLORS. These special payments were authorized by Chapter 1 of the 2022 Appropriation Act, and are classified as special employer contributions.

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

At June 30, 2023, Virginia Tech reported a liability of $280,125,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $4,738,000 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. Virginia Tech's proportion of the Net Pension Liability was based on Virginia Tech's actuarially determined employer contributions to the pension 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, Virginia Tech's proportion of the VRS State Employee Retirement Plan was 6.172% as compared to 6.275% at June 30, 2021. At June 30, 2022, Virginia Tech's proportion of the VaLORS Retirement Plan was 0.748% as compared to 0.659% at June 30, 2021.

For the year ended June 30, 2023, Virginia Tech recognized pension expense of $12,946,000 for the VRS State Employee Retirement Plan and $908,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2021 and June 30, 2022, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, Virginia Tech reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(all dollars in thousands)*:

	SERP		VaLORS	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ -	$ 18,528	$ 54	$ 25
Net difference between projected and actual earnings on pension plan investments	-	40,828	-	389
Change in assumptions	11,239	-	65	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,303	303	-
Employer contributions subsequent to the measurement date	44,415	-	746	-
Total	$ 55,654	$ 66,659	$ 1,168	$ 414

A total of $45,161,000 ($44,415,000 for SERP and $746,000 for VaLORS) reported as deferred outflows of resources related to pensions resulting from Virginia Tech's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the 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 *(all dollars in thousands)*:

Year ended June 30,	SERP	VaLORS
2024	$ (22,138)	$ 245
2025	$ (22,482)	$ (160)
2026	$ (30,113)	$ (267)
2027	$ 19,312	$ 190
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	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates (SERP)

Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years
Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females
Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years
Beneficiaries and Survivors: Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females
Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on the 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	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

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

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates (VaLORS)

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	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 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 *(all dollars in thousands)*:

	SERP	VaLORS
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 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	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 ultimately providing a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by Virginia Tech 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 Virginia Tech's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Virginia Tech's proportionate share of the VRS State Employee Retirement Plan (SERP) and the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what Virginia Tech'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 *(all dollars in thousands)*:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia Tech's proportionate share of the VRS SERP net pension liability	$ 478,741	$ 280,125	$ 115,507
Virginia Tech's proportionate share of the VaLORS net pension liability	$ 7,209	$ 4,738	$ 2,723

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 https://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

The amount of payables outstanding to the VRS State Employee Retirement Plan (SERP) and the VaLORS Retirement Plan at June 30, 2023, was approximately $2.9 million for legally required contributions into the plans.

20. Defined Contribution Plans

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in optional retirement plans as authorized by the *Code of Virginia* rather than the VRS retirement plan. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association of America – College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments Tax-Exempt Services Company. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent, plus net investment gains or losses. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent contribution and the employee's 5.0 percent contribution plus net investment gains or losses. Individual contracts issued under the plan provide for full and immediate vesting of both the university's and the employees' contributions. Total pension costs under this plan were approximately $37,856,000 for year ended June 30, 2023. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $410,964,000 for this fiscal year.

Deferred Compensation Plan

Employees of the university are employees of the Commonwealth of Virginia. State employees may participate in the commonwealth's deferred compensation plan. Participating employees can contribute to the plan each pay period with the commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the commonwealth's budget. The deferred compensation plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The university expense for matching contributions to this plan, which is an amount assessed by the commonwealth, was approximately $2,495,000 for the fiscal year 2023.

Federal Pension Plans

Certain Cooperative Extension Service (CES) professional employees are participants in either the Federal Employee Retirement System (FERS) or the Federal Civil Service Retirement System (CSRS). The FERS and CSRS are defined benefit plans in which benefits are based upon the highest base pay over any three consecutive years and the years of creditable service. The costs under these plans were approximately $63,000 for the year ended June 30, 2023. Contributions to the FERS and CSRS were calculated using the base salary amount of approximately $344,000 for the fiscal year 2023.

In addition, the university contributed $17,000 in employer contributions to the Thrift Savings Plan for the year ended June 30, 2023. The Thrift Savings Plan is a defined contribution plan in which the university matches employee contributions within certain limitations.

21. Other Postemployment Benefits

The university participates in postemployment benefit programs that are sponsored by the commonwealth. The Department of Human Resource Management (DHRM) administers the Pre-Medicate Retiree Healthcare program. The Virginia Retirement System (VRS or 'the System') administers the Virginia Sickness and Disability program, Group Life Insurance program, Retiree Health Insurance Credit program, and Line of Duty Act program. 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 Virginia Tech 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 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 Virginia Tech 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 Virginia Tech employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement.

Group Life Insurance (GLI) program

All full-time, salaried permanent employees of Virginia Tech are automatically covered by the GLI program upon employment. (Note: 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 Virginia Tech directly for the premiums. Virginia Tech deducts these premiums from members' paychecks and pays 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 Virginia Tech are automatically covered by the HIC program. Members earn one month of service credit toward the benefit for each month they are employed and for which Virginia Tech 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. Virginia Tech's contributions are determined by the system's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Plan Provisions

PMRH program

Eligible employees

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

- be a retiring state employee who is eligible for a monthly retirement benefit from the VRS, and
- be receiving (not deferring) the 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), and
- have submitted within 31 days of his or her retirement date an enrollment form to his or her benefits administrator to enroll.

(* A retirement contribution or leave without pay status for retirement was reported in the month immediately prior to 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.)

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 non-ORP 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 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 Virginia Tech 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.
- Virginia Tech faculty members who elect the VRS defined benefit plan.

Benefit Amounts

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

- 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 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.

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. 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 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, seat 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 creditable service, there is a minimum benefit payable under the GLI program. The minimum benefit was set at $8,000 by statute. The amount increases annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $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 the 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 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 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 VRS, SPORS, or VaLORS .

Benefit Amounts

LODA provides death and health insurance benefits for eligible individuals.

Death benefits – The LODA 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 LODA 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

Virginia Tech 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, Virginia Tech effectively subsidizes the costs of the participating retirees' healthcare through payment of Virginia Tech's portion of the premiums for active employees. 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 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 Virginia Tech were $1,088,000 and $998,000 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 Virginia Tech were $3,740,000 and $3,584,000 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 GLI program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act.

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 Virginia Tech to the Retiree HIC program were $8,047,000 and $7,429,000 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 HIC program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act.

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 Virginia Tech were $42,000 and $32,000 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, Virginia Tech reported the following net liabilities (assets) for its proportionate share of these programs:

PMRH	$	33,126,000
VSDP	$	(10,575,000)
GLI	$	36,809,000
HIC	$	71,844,000
LODA	$	933,000

These liabilities (assets) were measured as of June 30, 2022 and the total OPEB liability (asset) used to calculate each net liability (asset) was determined by an actuarial valuation as of that date. Virginia Tech's proportion of the PMRH OPEB liability was based on its healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. For VSDP, GLI, HIC and LODA programs, Virginia Tech's proportionate share of each liability (asset) was based on Virginia Tech'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, Virginia Tech's proportionate share was:

PMRH	9.12% as compared to 9.02% at June 30, 2021
VSDP	3.58% as compared to 3.69% at June 30, 2021
GLI	3.06% as compared to 3.03% at June 30, 2021
HIC	8.77% as compared to 8.66% at June 30, 2021
LODA	0.25% as compared to 0.25% at June 30, 2021

For the year ended June 30, 2022, Virginia Tech recognized the following expenses for these programs:

PMRH	$	(17,062,000)
VSDP	$	160,000
GLI	$	1,705,000
HIC	$	6,830,000
LODA	$	126,000

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

At June 30, 2023, Virginia Tech reported deferred outflows/inflows of resources related to these programs from the following sources *(all dollars in thousands)*:

Program	Source	Deferred Outflow	Deferred Inflow
PMRH	Difference between expected and actual experience	$ -	$ 15,128
	Change in assumptions	-	30,663
	Changes in proportion	5,453	290
	Amounts associated with transactions subsequent to measurement date	3,622	-
	Total	$ 9,075	$ 46,081
VSDP	Difference between expected and actual experience	$ 1,064	$ 1,574
	Net difference between projected and actual earnings on investments	-	584
	Change in assumptions	61	208
	Changes in proportion	370	18
	VT contributions subsequent to measurement date	1,088	-
	Total	$ 2,583	$ 2,384
GLI	Difference between expected and actual experience	$ 2,915	$ 1,477
	Net difference between projected and actual earnings on investments	-	2,300
	Change in assumptions	1,373	3,585

(Deferred outflows/ inflows of resources, continued)

	Source	Deferred Outflow	Deferred Inflow
GLI *(continued)*	Changes in proportion	1,190	14
	VT contributions subsequent to measurement date	3,740	-
	Total	$ 9,218	$ 7,376
HIC	Difference between expected and actual experience	$ 12	$ 4,342
	Net difference between projected and actual earnings on investments	-	39
	Change in assumptions	2,404	36
	Changes in proportion	2,280	49
	VT contributions subsequent to measurement date	8,047	-
	Total	$ 12,743	$ 4,466
LODA	Difference between expected and actual experience	$ 72	$ 174
	Net difference between projected and actual earnings on investments	-	4
	Change in assumptions	260	230
	Changes in proportion	86	63
	VT contributions subsequent to measurement date	42	-
	Total	$ 460	$ 471

The following amounts reported as deferred outflows of resources related to each program, resulting from Virginia Tech's contributions subsequent to the measurement date, will be recognized as a reduction of each program's net liability (asset) in the fiscal year ending June 30, 2024 *(all dollars in thousands)*:

PMRH	$	3,622
VSDP	$	1,088
GLI	$	3,740
HIC	$	8,047
LODA	$	42

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 *(all dollars in thousands)*:

Year ended June 30:	PMRH	VSDP	GLI	HIC	LODA
2024	$ (17,834)	$ (403)	$ (137)	$ 421	$ 1
2025	$ (11,176)	$ (398)	$ (258)	$ 265	$ 1
2026	$ (6,157)	$ (514)	$ (1,657)	$ (344)	$ 1
2027	$ (3,689)	$ 136	$ 363	$ 42	$ 3
2028	$ (1,772)	$ 61	$ (209)	$ (149)	$ 2
Thereafter	$ -	$ 229	$ -	$ (4)	$ (60)

Actuarial Assumptions

PMRH program actuarial assumptions

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 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2022 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.54%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical and Rx: 8.00% to 4.50%, Dental: 4.00%
Year of Ultimate Trend	2033

Mortality Rates

- Pre-Retirement: Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years.
- Post-Retirement: Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females.
- Post-Disablement: Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years.
- Beneficiaries and Survivors: Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females.

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date 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 study are as follows:

- 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, 2023.

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

VSDP, GLI, HIC, and LODA program actuarial assumptions

VSDP, GLI, and HIC – The total 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	2.50 percent
Salary increases, including inflation	
General state employees	3.50 percent – 5.35 percent
Teachers (GLI only)	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees (GLI and HIC only)	4.00 percent
Locality – General employees (GLI only)	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees (GLI only)	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of OPEB plan investment expenses, including inflation

LODA - The total 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	2.50 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 for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	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 (Discount rate does not apply to 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 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	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 age 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	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. (VSDP and LODA only: Increased disability life expectancy.)
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change (Discount rate does not apply to 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	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. VSDP and LODA only: Increased disability life expectancy.
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change (Discount rate does not apply to 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 General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 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	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Decreased rates for ages 60-66 and 70-72.
Withdrawal Rates	No change.
Disability Rates	No change.
Salary Scale	Reduce increases across all ages by 0.50%.
Discount Rate	No change.

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

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

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

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

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

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

- 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	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 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.

Mortality rates – Largest Ten Locality Employers with Public Safety Employees (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. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	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.

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees (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. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net OPEB Asset/Liability

The net OPEB asset/liability (NOA or NOL) for VSDP, GLI, HIC and LODA represents each program's total OPEB asset/liability determined in accordance with GASB Statement 74, less the associated fiduciary net position. As of June 30, 2022, NOA/NOL amounts for each program are as follows *(all dollars 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
Employers' 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 VRS's actuary, and each plan's fiduciary net position is reported in VRS's financial statements. The net OPEB liability (asset) is disclosed in accordance with the requirements of GASB Statement 74 in VRS's 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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
Expected 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 increased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2023. Retiree participation rate was reduced from 40% to 35% based on a blend of recent experience and the prior year assumptions. There were no plan changes in the valuation since the prior year.

VSDP, GLI, 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 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 Virginia Tech for each of these programs 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 these programs 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 each of these programs.

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 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 Virginia Tech to the LODA OPEB program will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of Virginia Tech's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents Virginia Tech's proportionate share of the net OPEB liability 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, Virginia Tech's proportionate share of the net 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 *(all dollars in thousands)*:

Virginia Tech's Proportionate Share of Net OPEB Liability (Asset)

	1.00% Decrease	Current Discount Rate	1.00% Increase
	2.54%	3.54%	4.54%
PMRH	$ 34,970	$ 33,126	$ 31,321
	5.75%	6.75%	7.75%
VSDP	$ (9,734)	$ (10,575)	$ (11,315)
GLI	$ 53,562	$ 36,809	$ 23,271
HIC	$ 80,674	$ 71,844	$ 64,262
	2.69%	3.69%	4.69%
LODA	$ 1,065	$ 933	$ 825

Sensitivity of Virginia Tech's Proportionate Share of the Net 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 Virginia Tech's proportionate share of the net OPEB liability for these 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, Virginia Tech's proportionate share of the net 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 *(all dollars in thousands)*:

Virginia Tech's Proportionate Share of Net OPEB Liability

	1.00% Decrease	Current Health Care Trend Rate	1.00% Increase
PMRH	7.00% decreasing to 3.50%	8.00% decreasing to 4.50%	9.00% decreasing to 5.50%
	$ 30,158	$ 33,126	$ 36,545
LODA	6.00% decreasing to 3.75%	7.00% decreasing to 4.75%	8.00% decreasing to 5.75%
	$ 786	$ 933	$ 1,117

Fiduciary Net Position

Detailed information about Fiduciary Net Position for each of these programs is available in the separately issued *VRS 2022 Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at https://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 at June 30, 2023 to each of these OPEB programs was as follows:

VSDP	$	8,000
GLI	$	245,000
HIC	$	512,000

22. Grants, Contracts, and Other Contingencies

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

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

23. Federal Direct Lending Program

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

These loan proceeds are treated as student payments, with the university acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position.* The activity is included in the noncapital financing section of the *Statement of Cash Flows.* For the fiscal year ended June 30, 2023, cash provided by the program totaled $158,893,000 and cash used by the program totaled $158,897,000.

24. Appropriations

The Appropriation Act specifies that unexpended general fund appropriations remaining on the last day of the current year, ending on June 30, 2023, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2023, except as may be specifically provided otherwise by the Virginia General Assembly. The governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations for payments to individuals, aid to localities, or any pass-through grants.

Adjustments made to the university's original appropriation during this fiscal year are as follows *(all dollars in thousands)*:

Original legislative appropriation		
(per Chapter 2 of the 2022 Special Session)		
Education and general programs	$	293,980
Student financial assistance		26,592
Commonwealth Research Initiative and Federal Action Contingency Trust		9,389
Unique military activities		3,278
Total appropriation		333,239
Adjustments		
Education and general programs		16,892
Tech talent investment program		12,957
Virginia management fellows program		778
Virginia military survivors and dependents		540
College Transfer Grant		228
DECA and HOSA CTSO Advisors Grant		309
Other adjustments		388
Total adjustments		32,092
Total adjusted appropriation	$	365,331

Capital Appropriations

Capital project general fund appropriations were recognized by the university from the commonwealth for the year ended June 30, 2023. During the year $43,550,000 in capital appropriations have been allocated as follows *(all dollars in thousands)*:

E&G maintenance reserve projects	$	17,462
Innovation Campus		9,164
Tech Talent Investment program		9,124
ADA and code compliance improvements		7,300
Other capital appropriations		500
Total capital appropriations	$	43,550

25. Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources

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

The composition of deferred outflows of resources on June 30, 2023, is summarized as follows *(all dollars in thousands)*:

Deferred loss on long-term debt defeasance (Note 14)	$	3,421
Deferred outflow for VRS pension (Note 19)		56,822
Deferred outflow for other postemployment benefits (Note 21)		34,079
	$	94,322

Deferred Inflows of Resources

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

The composition of deferred inflows of resources on June 30, 2023, is summarized as follows *(all dollars in thousands)*:

Deferred gain on long-term debt defeasance (Note 14)	$	1,356
Deferred inflow for long-term leases		1,418
Deferred inflow for VRS pension (Note 19)		67,073
Deferred inflow for other postemployment benefits (Note 21)		60,778
	$	130,625

26. Expenses by Natural Classification within Functional Classification

The university's operating expenses by functional classification for the year ended June 30, 2023
(all dollars in thousands)

	Compensation and Benefits	Contractual Services	Travel	Supplies and Materials	Other Operating Expenses	Sponsored Program Subcontracts	Scholarships and Fellowships	Total
Instruction	$ 431,375	$ 25,510	$ 13,594	$ 12,548	$ 5,345	$ 387	$ 1,625	$ 490,384
Research	261,467	31,484	14,193	22,681	4,166	42,602	20,724	397,317
Public service	66,350	21,284	6,031	3,954	1,991	2,635	448	102,693
Academic support	97,539	15,203	2,026	12,145	3,105	888	703	131,609
Student services	23,833	4,543	1,861	1,687	656	791	141	33,512
Institutional support	84,374	3,201	1,108	774	2,236	89	623	92,405
Operations and maintenance	41,792	9,990	128	19,833	39,053	4	76	110,876
Student financial assistance*	252	675	10	4	19	-	35,314	36,274
Auxiliary enterprises	128,892	36,460	12,520	45,936	54,263	79	628	278,778
Subtotal before other costs	$ 1,135,874	$ 148,350	$ 51,471	$ 119,562	$ 110,834	$ 47,475	$ 60,282	1,673,848
Depreciation and amortization								151,013
Total operating expenses								$ 1,824,861

**Includes loan administrative fees and collection costs.*

27. Component Unit

The component unit statements and subsequent notes comply with the Governmental Accounting Standards Board (GASB) presentation format. Virginia Tech Foundation Inc. follows 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.

Virginia Tech Foundation Statement of Net Position

As of June 30, 2023
(all dollars in thousands)

Assets		
Current assets		
Cash and cash equivalents	$	61,991
Short-term investments		11,947
Accounts and contributions receivable, net		86,906
Notes receivable, net		364
Inventories		146
Prepaid expenses		840
Other assets		15,140
Total current assets		177,334
Noncurrent assets		
Cash and cash equivalents		38,983
Accounts and contributions receivable, net		100,418
Notes and deeds of trust receivable, net		7,989
Net investments in direct financing leases		158,101
Irrevocable trusts held by others, net		5,060
Long-term investments		1,937,876
Depreciable capital assets, net		237,733
Nondepreciable capital assets		164,520
Intangible assets, net		3,581
Other assets		6,745
Total noncurrent assets		2,661,006
Total assets		2,838,340
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		13,386
Accrued compensated absences		682
Deferred revenue		18,421
Long-term debt payable		20,089
Other liabilities		3,355
Total current liabilities		55,933
Noncurrent liabilities		
Accrued compensated absences		68
Deferred revenue		3,683
Long-term debt payable		266,164
Liabilities under trust agreements		20,412
Agency deposits held in trust		648,613
Other liabilities		6,425
Total noncurrent liabilities		945,365
Total liabilities		1,001,298
Net position		
Invested in capital assets, net of related debt		280,419
Restricted, nonexpendable		824,869
Restricted, expendable		
Scholarships, research, instruction, and other		553,660
Unrestricted		178,094
Total net position	$	1,837,042

Virginia Tech Foundation Statement of Revenues, Expenses, and Changes in Net Position
For year ended June 30, 2023
(all dollars in thousands)

Operating revenues	
Gifts and contributions	$ 76,668
Auxiliary enterprise revenues	
Hotel Roanoke	27,492
River Course	654
Other revenues	
Rental income	54,119
Other	18,109
Total operating revenues	177,042
Operating expenses	
Instruction	4,180
Research	10,094
Public service	6,173
Academic support	31,525
Institutional support	
Other university programs	32,114
Fund-raising	18,812
Management and general	7,074
Operation and maintenance of plant	
Operation and maintenance of plant	8,635
Research cost centers	9,355
Student financial assistance	39,504
Auxiliary enterprises	
Hotel Roanoke	16,784
River Course	622
Depreciation expense	11,665
Other expenses	15,352
Total operating expenses	211,889
Operating loss	(34,847)
Non-operating revenues (expenses)	
Investment income, net	28,351
Net gains (losses) on investments	71,520
Interest expense on debt related to capital assets	(8,693)
Net non-operating revenues	91,178
Income before other revenues, expenses, gains, or losses	56,331
Change in valuation of split interest agreements	2,528
Capital grants and gifts	18,971
Gain (loss) on disposal of capital assets	118
Additions to permanent endowments	40,471
Other revenues (expenses)	3,342
Total other revenues, expenses, gains, or losses	65,430
Increase in net position	121,761
Net position - beginning of year	1,715,281
Net position - end of year	$ 1,837,042

Notes to Component Unit Statements

Contributions Receivable - Virginia Tech Foundation Inc.

The following summarizes unconditional promises to give at June 30, 2023 *(all dollars in thousands):*

Receivable in less than one year	$	83,127
Receivable in one to five years		76,914
Receivable in more than five years		60,429
Total contributions receivable, gross		220,470
Allowance for uncollectible contributions		(4,565)
Discount to reduce estimated future cash flows to fair value and allowance for uncollectible contributions receivable		(34,997)
Contributions receivable, at fair value	$	180,908

The discount rates ranged from 5.57% to 7.90% at June 30, 2023. As of June 30, 2023 the foundation is unaware of any significant conditional promises to give.

Investments - Virginia Tech Foundation Inc.

The overall investment objective of the foundation is to invest its operating funds in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities, and to invest its endowed funds in a manner that maintains the purchasing power of the endowment. The foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions, such as asset allocation and spending, are overseen by the board's Investment Committee and authorized by the board's Executive Committee. The Investment Committee oversees the foundation's investment program in accordance with established guidelines.

In addition to traditional equity and fixed-income securities, the foundation may also hold shares or units in traditional institutional funds, as well as in alternative investment funds involving hedged strategies, private equity and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds primarily employ buyout and venture capital strategies. Real asset funds generally hold interests in public real estate investment trusts (REITs), public natural resource equities, private commercial real estate, and private natural resources such as power plants and oil and gas companies. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable public earnings multiples, projected cash flows, recent sale prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

As of June 30, 2023, long-term investments included investment assets held in internally managed trust funds with a carrying values totaling $55,564. At June 30, 2023, unspent bond proceeds of $5,904, invested in U.S. government treasuries, was included in short-term investments. These proceeds are restricted for investment in land and building development.

The foundation is required by Maryland state law to maintain segregated assets for all annuities issued in an amount at least equal to the sum of its outstanding deferred giving arrangements liability, discounted to present value. As of June 30, 2023, the foundation had recorded annuity obligations of $6,370. As of June 30, 2023, the foundation had separately invested cash reserves of $11,094, and had met its minimum reserve requirement under Maryland state law.

The following summarizes changes in relationships between cost and fair value of investments (*all dollars in thousands*):

	Fair value	Cost	Net gains
June 30, 2023	$ 1,949,823	$ 1,789,869	$ 150,954
June 30, 2022	1,783,443	1,738,014	45,429
Unrealized net gain for the year, including net gain on agency deposits held in trust of $35,493			105,525
Realized net gain for the year, including net gain on agency deposits held in trust of $4,697			6,302
Total net gain for the year, including net gain on agency deposits held in trust of $40,190			$ 111,827

Fair Value Hierarchy - Virginia Tech Foundation Inc.

Accounting Standards Codification (ASC) Topic 820 establishes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that use quoted prices (unadjusted) in active markets for identical assets or liabilities that the foundation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The fair values of the foundation's corporate debt securities and state, county and municipal securities are obtained from a third-party pricing service provider. The fair values provided by the pricing service provider are estimated using pricing models, where the inputs to those models are based on observable market inputs including credit spreads and broker-dealer quotes, among other inputs. The foundation classifies the prices obtained from the pricing services within Level 2 of the fair value hierarchy because the underlying inputs are directly observable from active markets. However, the pricing models used do entail a certain amount of subjectivity and, therefore, differing judgments in how the underlying inputs are modeled could result in different estimates of fair value.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The assets that were measured at fair value on a recurring basis at June 30, 2023 are presented in the first table on the next page.

The second table on the next page summarizes the foundation's investments in entities that calculate net asset value as a practical expedient to estimate fair value as of June 30, 2023, as well as liquidity and funding commitments.

Assets Measured at Fair Value - Virginia Tech Foundation Inc.
At June 30, 2023
(all dollars in thousands)

	Total at June 30, 2023	Fair value measurements at reporting date using Level 1	Level 2	Level 3	NAV*
Contributions Receivable	$ 180,908	$ -	$ -	$ 180,908	$ -
Short-term investments:					
Corporate debt securities	5,299	5,299	-	-	-
U.S. government treasuries	6,648	6,648	-	-	-
Total short-term investments	11,947	11,947	-	-	-
Long-term investments:					
Cash and cash equivalents	17,580	17,580	-	-	-
U.S. government treasuries	158,644	153,858	4,786	-	-
U.S. government agencies	6,370	6,370	-	-	-
Equity securities	35,520	35,520	-	-	-
Hedge Funds	204,577	-			204,577
Private real estate	226,386	-	-	-	226,386
Private credit	123,097	-	-	-	123,097
Private equity	287,818	-	-	-	287,818
Private equity alternative investments	343,122	-	-	-	343,122
Corporate bonds	13,578	13,578	-	-	-
Corporate debt securities	102,399	66,827	34,705	867	-
Mortgage receivable	30,548	16,289	14,259	-	-
Foreign securities	17,550	17,550	-	-	-
Real Estate	7,354	-	-	7,354	-
Global Stock	363,333	363,333	-	-	-
Total long-term investments	1,937,876	690,905	53,750	8,221	1,185,000
Irrevocable trusts held by others	5,060	-	-	5,060	-
Total	$ 2,135,791	$ 702,852	$ 53,750	$ 194,189	$ 1,185,000

** Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated financial statements.*

Assets Measured using NAV Estimate - Virginia Tech Foundation Inc.
At June 30, 2023
(all dollars in thousands)

	Fair Value	Uncalled Commitments	Remaining life	Redemption Frequency	Trade to settlement terms	Redemption Notice Period
Public equity funds (1)	$ 343,122	$ -	N/A	Daily to Every 3 years	1-30 days	45-180 days
Hedge funds (2)	204,577	-	N/A	Monthly to Quarterly	5-30 days	30-90 days
Private credit funds (3)	123,097	41,371	1-10 years	N/A	N/A	N/A
Private equity funds (4)	287,818	86,189	1-10 years	N/A	N/A	N/A
Private real assets funds (5)	226,386	40,872	1-10 years	N/A	N/A	N/A
	$ 1,185,000	$ 168,432				

(1) The amount represents investments in funds that invest in publicly traded equity securities and can be liquidated over various intervals. The net asset value of each fund, which represents the fair value of the underlying investments, is used as a practical expedient under fair value guidance. The managers invest primarily in long equity securities, although some managers are allowed to short equity securities. In all cases the objective is for managers to achieve a return in excess of an appropriate equity market benchmark, such as the MSCI ACWI.

(2) The amount represents investments in funds that invest in hedged strategies, such as long/short, event-driven and global macro. There are no restrictions on the types of securities and financial instruments these managers are allowed to invest in. The net asset value of each fund, which represents the fair value of the underlying investments, is used as a practical expedient under fair value guidance. Fund managers seek to achieve returns in excess of broad market benchmarks over a full market cycle while exhibiting low correlation with such benchmarks, thus providing diversification.

(3) The amount represents investments in funds that invest in credit-related securities that are privately negotiated. These investments are made under a drawdown commitment structure, where capital is called by the manager when needed. The fair values of investments have been estimated using the net asset value related to each limited partner's ownership interest in the fund as a practical expedient under fair value guidance. These investments cannot be redeemed, with all liquidity decisions under manager control. It is estimated that the underlying assets of the fund will be liquidated over a time period ranging from 1-10 years.

(4) The amount represents investments in funds that invest in the equity of private companies. Investments may take the form of direct equity, preferred equity, convertible equity, or any other "equity-like" structure that reflects entity ownership. These investments are made under a drawdown commitment structure, where capital is called by the manager when needed. Private Equity consists of managers investing in equity at a variety of stages, including venture capital, growth equity, or those companies bought out in take-private transactions. The fair values of investments have been estimated using the net asset value related to each limited partner's ownership interest in the fund as a practical expedient under fair value guidance. These investments cannot be redeemed, with all liquidity decisions under manager control. It is estimated that the underlying assets of the fund will be liquidated over a time period ranging from 1-10 years.

(5) The amount represents investments in funds that invest in the equity, and occasionally debt, of private real assets, including real estate, natural resources, and infrastructure. These investments are made under a drawdown commitment structure, where capital is called by the manager when needed. The fair values of investments have been estimated using the net asset value related to each limited partner's ownership interest in the fund as a practical expedient under fair value guidance. These investments cannot be redeemed, with all liquidity decisions under manager control. It is estimated that the underlying assets of the fund will be liquidated over a time period ranging from 1-10 years.

Notes to Component Unit Statements (*continued*)

Land, Buildings, and Equipment - Virginia Tech Foundation Inc.

The following is a summary of land, buildings, and equipment at cost, less accumulated depreciation for the year ending June 30, 2023 *(all dollars in thousands)*:

Depreciable capital assets		
Buildings	$	335,200
Equipment and other		50,779
Land improvements		28,910
Total depreciable capital assets, at cost		414,889
Less accumulated depreciation		(177,156)
Total depreciable capital assets, net		237,733
Nondepreciable capital assets		
Land		151,377
Vintage and other collection items		7,122
Livestock		562
Construction in progress		5,459
Total nondepreciable capital assets		164,520
Total capital assets, net	$	402,253

As of June 30, 2023, outstanding contractual commitments for projects under construction approximated $28,799.

Long-term Debt Payable - Virginia Tech Foundation Inc.

Notes payable

The following is a summary of outstanding notes payable at June 30, 2023 *(all dollars in thousands)*:

Unsecured revolving line of credit note payable with total total availability of $20,000 renewed November 1, 2021, plus variable interest at one-month term Secured Overnight Financing Rate (SOFR) plus 0.447% (5.55% as of June 30, 2023). Note matures November 1, 2024.	$	1,738
Unsecured note payable upon the sale of the hotel and repayment of all debt of the hotel and the Hotel Roanoke Foundation		1,775
Total notes payable	$	3,513

The aggregate annual maturities of notes payable for each of the five years and thereafter subsequent to June 30, 2023, are (*all dollars in thousands*):

Year ending June 30,		
2024	$	-
2025		1,738
Upon the sale of the hotel and repayment of all debt of the hotel and HRF		1,775
Total notes payable	$	3,513

During 2003, the foundation used proceeds from borrowings on notes payable totaling $13,800 to provide a loan to an unrelated party through a promissory note receivable. The unrelated party used the proceeds to purchase the University Mall building located in Blacksburg, Virginia. The promissory note receivable, which requires interest payments only until maturity, earned interest at a fixed rate of 6.18% through June 30, 2013 and 6.96% thereafter through June 30, 2023, the maturity date. The promissory note receivable is secured by a first deed of trust in the real property of the University Mall, as well as the assignment of leases, rents, and security agreements. On June 30, 2023, the foundation acquired the University Mall building as part of a bargain sale gift agreement where the principal of $13,800 was forgiven as part of the transaction.

Bonds payable

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Tax-Exempt Revenue and Refunding Bonds (Series 2012A) and Taxable Revenue and Refunding Bonds (Series 2012B) dated December 1, 2012. Proceeds were used to refinance a portion of the outstanding Series 2009B bonds and to finance the construction of several facilities to be used in support of the university. During 2014, an additional $1,817 was borrowed on the Series 2012B bonds to finance the construction of a facility to be used in support of the university. The Series 2012A bonds, which bear a fixed interest rate of 1.99%, have monthly payments of principal and interest beginning February 1, 2013 and concluding June 1, 2022. The Series 2012B bonds bore a variable interest rate of LIBOR plus 125 basis points (1.44% at June 30, 2013), until the final advance date of October 1, 2013 and thereafter bear a fixed interest rate of 3.05%, have monthly interest commencing on February 1, 2013, and have monthly payments of principal and interest beginning November 1, 2013 and concluding on January 1, 2033. The Series 2012B bonds were refunded on October 26, 2022 through Taxable Loan, as further described below.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2013A) and Taxable Revenue and Refunding Bonds (Series 2013B) dated October 30, 2013. Proceeds were used to finance the construction of several commercial facilities and several facilities to be used in support of the university. The bonds, which bear a weighted average fixed interest rate of 3.95% and 3.87%, respectively, have annual serial and sinking fund maturities beginning June 1, 2014 and concluding June 1, 2038 in varying amounts ranging from $280 to $4,010. At June 30, 2023 and 2022, unspent bond proceeds of $-0- and $309, respectively, were included in restricted cash and cash equivalents. The Series 2020A bonds, as further described below, refunded portions of the Series 2013A and 2013B bonds. The unrefunded portion of the Series 2013A and 2013B bonds currently have a final maturity of 2024.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2017A) and Taxable Revenue and Refunding Bonds (Series 2017B) dated May 17, 2017. Proceeds were used to refinance all or a portion of the outstanding Series 2009A, Series 2010A, Series 2010B, and Series 2011A bonds, refinance a VTREF note payable, and renovate a facility used in support of the university. The Series 2017A and 2017B bonds, which bear a weighted average fixed interest rate of 2.93% and 3.43%, respectively, have annual serial and sinking fund maturities beginning June 1, 2018 and concluding June 1, 2039 in varying amounts ranging from $580 to $4,670.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2017C) dated May 17, 2017. Proceeds were used to refinance all of the outstanding Series 2005 bonds and the remaining portion of the Series 2009A bonds. The Series 2017C bonds, which bear a variable interest rate calculated as 65% of one-month LIBOR plus 0.407%, have annual serial maturities beginning June 1, 2018 and concluding June 1, 2027 in varying amounts ranging from $1,340 to $3,380.

The foundation is obligated under a Promissory Note with Union Bank and Trust (Series 2017D) dated December 19, 2017. Proceeds were used to finance the construction of several facilities to be used in support of the university. The Promissory Note, which bears a fixed interest rate of 3.7%, has annual serial maturities beginning October 1, 2019 and concluding October 1, 2037 in varying amounts ranging from $115 to $825. At June 30, 2023 and 2022, unspent bond proceeds of $4 and $4, respectively, were included in restricted cash and cash equivalents.

During the year ended June 30, 2017, the foundation used the proceeds from the Series 2017 bond issuances to refinance all of its Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds Series 2005 and Industrial Development Authority of Montgomery County, Virginia Revenue Bonds Series 2009A bonds in the amounts of $12,065 and $16,495, respectively. The foundation also partially refunded $44,190 of its Series 2010A, $5,620 of its Series 2010B, and $14,515 of its Series 2011A bonds as well. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's consolidated financial statements.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue Bonds (Series 2019A) and Taxable Revenue and Refunding Bonds (Series 2019B) dated November 5, 2019. Proceeds were used to finance costs related to the acquisition, construction, and equipping of certain facilities, fund capitalized interest, refinance all or a portion of the outstanding Series 2010B and Series 2011B bonds, and pay certain costs of issuance. The Series 2019A and 2019B bonds, which bear a weighted average fixed interest rate of 2.54% and 3.06%, respectively, have annual serial and sinking fund maturities beginning June 1, 2020 and concluding June 1, 2044 in varying amounts ranging from $60 to $7,615. At June 30, 2023 unspent bond proceeds of $389 and $5,904 are included in restricted cash and cash equivalents and short-term investments, respectively. At June 30, 2022 unspent bond proceeds of $5,553 and $15,043 are included in restricted cash and cash equivalents and short-term investments, respectively.

The foundation refunded the remaining $4,355 of its Series 2010B and partially refunded $27,515 of its Series 2011B bonds. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's consolidated financial statements.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Taxable Revenue and Refunding Bonds (Series 2020A) dated July 7, 2020. Proceeds were used to finance costs related to the acquisition, construction, and equipping of certain facilities; refinance all or a portion of the outstanding Series 2011A, Series 2013A, and Series 2013B bonds; and pay certain costs of issuance. The Series 2020A bonds, which bear a weighted average fixed interest rate of 2.24%, have annual serial maturities beginning June 1, 2021 and concluding June 1, 2038 in varying amounts ranging from $565 to $4,625.

The foundation refunded the remaining $29,150 of its Series 2011A, partially refunded $13,170 of its Series 2013A, and partially refunded $6,575 of its 2013B bonds. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's consolidated financial statements.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue Bond (Series 2022) and Taxable Loan dated October 26, 2022. Proceeds will be used to finance costs related to acquisition, construction, and equipping of certain facilities and refinance the outstanding Series 2012B bonds. The Series 2022 bonds, which bear a weighted average fixed interest rate of 3.42%, have annual serial maturities beginning June 1, 2023 and concluding June 1, 2039 in varying amounts ranging from $131 to $427. The Taxable Loan, which bears a weighted average fixed interest rate of 4.34%, has annual serial maturities beginning June 1, 2023 and concluding June 1, 2033 in varying amounts ranging from $198 to $497.

Principal amounts outstanding for bonds payable and the related unamortized premium amounts where applicable at June 30 are as follows *(all dollars in thousands)*:

Bond series		
Series 2013A	$	655
Series 2013B		505
Series 2017A		30,560
Series 2017B		34,605
Series 2017C		7,045
Series 2017D		9,730
Series 2019A		48,625
Series 2019B		86,780
Series 2020A		47,115
Series 2022		5,379
Taxable Loan		4,142
Unamortized premium on Series 2013A		39
Unamortized premium on Series 2017A		1,451
Unamortized premium on Series 2019A		8,881
Unamortized discount on Series 2019B		(685)
Unamortized bond issuance cost		(2,087)
Total bonds payable	$	282,740

The aggregate annual maturities of bonds payable for each of the five years and thereafter subsequent to June 30, 2023, are as follows (*all dollars in thousands*):

Year ending June 30,		
2024	$	20,089
2025		19,666
2026		18,939
2027		19,578
2028		18,439
2029 – 2033		90,879
2034 – 2038		76,570
2039 – 2043		19,007
2044 - 2048		1,660
Total	$	284,827

Total interest expense incurred in the aggregate related to notes payable and bonds payable during the year ended June 30, 2023 totaled $6,501.

Interest Rate Swaps – Virginia Tech Foundation Inc.

Effective September 1, 2005, the foundation entered into an interest rate swap agreement (Swap 1) with a lending institution. This agreement was based on the principal balances of the Series 2001A and Series 2002A bond issues, which were refinanced by the Series 2005 bonds and more recently by the Series 2017C bonds. The foundation participated as a fixed rate payer with a fixed rate of 3.265% for a 17-year term, which ended June 1, 2022.

Effective September 1, 2006, the foundation entered into an interest rate swap agreement (Swap 2) with a lending institution. This agreement was based on the principal balances of the Series 2005 bond issue, which were refinanced by the Series 2017C bonds. The foundation participates as a fixed rate payer with a fixed rate of 3.21300% ending June 1, 2025. The lending institution participates as a floating rate payer with a floating interest rate which, before May 23, was calculated based on the weighted average of 70% of USD-LIBOR-BBA. Due to the cessation of LIBOR, the lending institution utilizes the equivalent fallback rate USD-SOFR-1M-BLOOMBERG. The calculated rate was 3.62638% at June 30, 2023.

Effective March 14, 2007, the foundation entered into an interest rate swap agreement (Swap 3) with a lending institution. This agreement was based on the principal balances of the Series 2007 bond issue, which were refinanced by the Series 2009 bonds and more recently by the 2017C bonds. The foundation participates as a fixed rate payer with a fixed rate of 3.737% ending June 1, 2027. The lending institution participates as a floating rate

Notes to Component Unit Statements (*continued*)

payer with a floating interest rate, which is calculated based on the weighted average of SIFMA Municipal Swap Index, of 3.48967% at June 30, 2023.

The following table summarizes the fair values of the foundation's interest rate swaps at June 30 and changes in the fair values of those swaps during the year ended June 30, 2023 *(all dollars in thousands)*:

	Fair values	Change in Fair values
Swap 2	$ 9	$ 55
Swap 3	61	223
Total	$ 70	$ 278

Agency Deposits Held in Trust - Virginia Tech Foundation Inc.

Under an agreement between the university and the foundation, the foundation serves as agent in connection with the investment, management, and administration of the Pratt Estate Funds. Under a similar agreement, the foundation also serves as agent for the investment and management of other university non-general funds to assist the university in its goal of achieving enhanced earnings. In addition, the foundation serves as agent and maintains investments for the Virginia Tech Alumni Association Inc., Virginia Tech Services Inc., and certain other associations.

The following is a summary of agency deposits held in trust at June 30, 2023 *(all dollars in thousands)*:

University – Pratt Estate	$ 46,375
University – other	535,390
Virginia Tech Alumni Association Inc.	4,852
Virginia Tech Services Inc.	5,273
Other	56,723
Total agency deposits held in trust	$ 648,613

Leases - Virginia Tech Foundation Inc.

Operating leases – Foundation as lessor

The foundation rents facilities to unrelated third parties, as well as various university departments and other university-related entities. For the year ended June 30, 2023, rental income of $28,376 and $864 was earned from the university and Virginia Tech Applied Research Corporation, respectively. In addition, the foundation provides facilities for the use of various university departments at no charge or below market rates to the university. The fair value rental for this property in excess of actual rental income received totaled $10,182 and is included in rental income and other university programs expense in the accompanying Virginia Tech Foundation statement of revenues, expenses and changes in net position.

Future minimum lease payments receivable under facility leases as of June 30, 2023 are as follows *(all dollars in thousands)*:

	Related Parties	Other	Total
Year ending June 30,			
2024	$ 17,573	$ 9,807	$ 27,380
2025	13,844	5,992	19,836
2026	12,859	4,984	17,843
2027	11,381	4,092	15,473
2028	9,224	3,328	12,552
Thereafter	26,807	16,998	43,805
Total	$ 91,688	$ 45,201	$ 136,889

Direct financing leases

During fiscal year 2009, the foundation entered into two master lease agreements with the university for the lease of a building. As of July 1, 2023, the annual payments under the lease agreements totaled $2,196. The lease agreements terminate in fiscal year 2029.

During fiscal year 2013, the foundation entered into two master lease agreements with the university for the lease of a building and parking garage. As of July 1, 2023, the annual payments under the lease agreements totaled $3,816. The lease agreements terminate in fiscal year 2036.

During fiscal year 2014, the foundation entered into a master lease agreement with the university for the lease of a building. As of July 1, 2023, the annual payments under the lease agreement totaled $80. The lease agreement terminates in fiscal year 2044.

During fiscal year 2015, the foundation entered into a master lease agreement with the university for the lease of a building. As of July 1, 2023, the annual payments under the lease agreement totaled $974. The lease terminates in fiscal year 2038.

During fiscal year 2016, the foundation entered into a master lease agreement with the university for the lease of land. As of July 1, 2023, the annual payments under the lease agreement totaled $35. The lease terminates in fiscal year 2036.

During fiscal year 2017, the foundation entered into a master lease agreement with the university for the lease of land. As of July 1, 2023, the annual payments under the lease agreement totaled $104. The lease terminates in fiscal year 2037.

During fiscal year 2019, the foundation entered into two master lease agreements with the university for the lease of two buildings. As of July 1, 2023, the annual payments under the two lease agreements totaled $313 and $1,164. The lease agreements terminate in fiscal year 2039.

During fiscal year 2020, the foundation entered into two master lease agreements with the university for the lease of two buildings. As of July 1, 2023, the annual payments under the two lease agreements totaled $204 and $154. The lease agreements terminate in fiscal year 2040 and fiscal year 2027, respectively.

During fiscal year 2022, the foundation entered into a master lease agreement with the university for the lease of a building. As of July 1, 2023, the annual payments under the lease agreement totaled $5,508. The lease agreement terminates in fiscal year 2043.

During fiscal year 2023, the foundation entered into a master lease agreement with the university for the lease of a building. As of July 1, 2023, the annual payments under the lease agreement totaled $2,558. The lease terminates in fiscal year 2043.

Future minimum lease payments receivable under these leases as of June 30, 2023 are as follows *(all dollars in thousands)*:

	Related Parties	Other	Total
Year ending June 30,			
2024	$ 16,038	$ -	$ 16,038
2025	17,069	-	17,069
2026	17,079	-	17,079
2027	16,960	-	16,960
2028	16,874	-	16,874
Thereafter	176,719	1,715	178,434
Net minimum future lease receipts	260,739	1,715	262,454
Less unearned income	(96,564)	(1,086)	(97,650)
Net investment in direct financing lease	$ 164,175	$ 629	$ 164,804

Leases – Foundation as lessee

The foundation leases various buildings. The terms of these leases range from 1 to 8 years for operating leases and from 1 to 4 years for finance leases, expiring on various dates from 2023 to 2031. Annual payments under these agreements range from $2 to $153 for finance leases and $1 to $320 for operating leases. Rent expense under these leases amounted to

$160 for finance leases and $1,035 for operating leases for the year ended June 30, 2023.

The foundation leases various tracts of land. The terms of these leases range from 1 to 9 years for operating leases and from 71 to 75 years for finance leases, expiring at various dates from 2023 to 2098. Annual payments under these agreements range from $1 to $33 for finance leases and $5 to $91 for operating leases. Rent expense under these leases amounted to $56 for finance leases and $132 for operating leases for the year ended June 30, 2023.

The foundation leases various equipment. The terms of these leases range from 1 to 2 years for finance leases, expiring at various dates from 2023 to 2024. Annual payments under these agreements range from $1 to $7 for finance leases. The foundation's operating equipment leases expired during fiscal year 2023. Rent expense under these leases amounted to $13 for finance leases and $12 for operating leases for the year ended June 30, 2023.

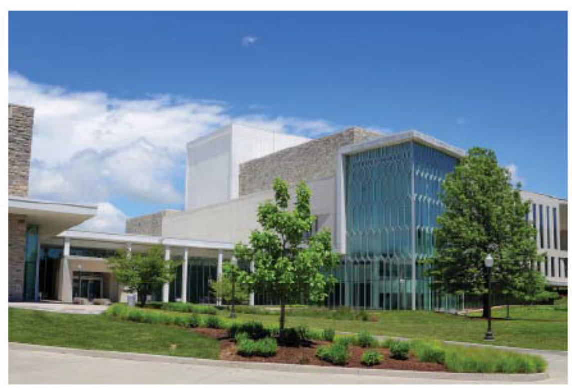
The foundation's lease contracts may include options to extend or terminate the lease. The foundation exercises judgment to determine the term of those leases when such options are present and include such options in the calculation of the lease term when it is reasonably certain that it will exercise those options.

The foundation includes contract lease components in its determination of lease payments, while nonlease components of the contracts, such as taxes, insurance, and common area maintenance, are expensed as incurred. At commencement, right-of-use assets and lease liabilities are measured at the present value of future lease payments over the lease term. The foundation uses its incremental borrowing rate based on information available at the time of lease commencement to measure the present value of future payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Short-term leases with an initial term of 12 months or fewer are expensed as incurred. The foundation's short-term leases have month-to-month terms.

At June 30, 2023 right-of-use assets were $1,340 for operating leases and $1,960 for finance leases and lease liabilities were $1,428 for operating leases and $2,032 for finance leases. Right-of-use assets and right-of-use liabilities are reflected on the statement of financial position as land, buildings, and equipment and deferred revenue and other liabilities, respectively.

The weighted average remaining lease term was 45 months for operating leases and 630 months for finance leases and the weighted average discount rate was 1.13 for operating leases and 2.84% for finance leases as of June 30, 2023.



The foundation's future payments due under operating leases reconciled to the lease liability are as follows *(all dollars in thousands)*:

	Operating Leases	Finance Leases	Total
Year ending June 30,			
2024	$ 740	$ 231	$ 971
2025	317	227	544
2026	120	226	346
2027	77	143	220
2028	64	57	121
Thereafter	145	3,633	3,778
Total undiscounted lease payments	1,463	4,517	5,980
Present value discount	(35)	(2,485)	(2,520)
Total lease liability	$ 1,428	$ 2,032	$ 3,460

For the year ended June 30, 2023, cash paid for lease liabilities totaled $1,179 for operating leases and $229 for finance leases.

28. Joint Ventures

The Hotel Roanoke Conference Center Commission was created by a joint resolution of the university and the City of Roanoke. The purpose of the commission is to establish and operate a publicly owned conference center in Roanoke adjacent to the renovated Hotel Roanoke. The powers of the commission are vested in commissioners. Each participating governing body appoints three commissioners for a total of six commissioners. The commission has authority to issue debt, and such debt is the responsibility of the commission. The intention of the commission is to be self-supporting through its user fees. The university and the City of Roanoke equally share in any operating deficit or additional funding needed for capital expenditures. The university made contributions of $80,000 using private funds to the commission for the fiscal year ended June 30, 2023. The administrative offices for the Hotel Roanoke Conference Center Commission are located at 106 Shenandoah Avenue, Roanoke, Virginia, 24016.

29. Jointly Governed Organizations

NRV Regional Water Authority

Created by a concurrent resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, the authority operates and maintains the water supply system for the university and the other participating governing bodies. A five-member board governs the authority with one member appointed by each governing body and one at-large member appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid $1,823,000 to the authority for the purchase of water for the fiscal year ended June 30, 2023.

Blacksburg-VPI Sanitation Authority

Created by a concurrent resolution of the university and the town of Blacksburg, the authority operates and maintains the wastewater treatment system for the participating governing bodies. Each participating governing body appoints one member of the five-member board of directors. Three at-large members are appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid $1,116,000 to the authority for the purchase of sewer services for the fiscal year ended June 30, 2023.

Montgomery Regional Solid Waste Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, the authority represents its members in solid waste and recycling issues as well as operating a recycling facility. The authority is governed by its board which is comprised of representatives from each of the four jurisdictions served. Each governing body provides collection of solid waste and recyclables from within its jurisdiction, and delivers the collected materials to the authority for disposal of the waste and processing and marketing of the recyclables. All indebtedness is the obligation of the authority and payable from its revenues. The university paid $316,000 to the authority for disposal fees for the fiscal year ended June 30, 2023.

Virginia Tech/Montgomery Regional Airport Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority serves to develop a regional airport based on the mission of servicing corporate executive markets and other general aviation markets; obtaining grants, loans and other funding for airport improvements and other activities; and promoting and assisting regional economic development. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. All indebtedness is the obligation of the authority and payable from its revenues. The university's funding commitment for fiscal year 2023 was $60,000, all of which Virginia Tech paid to the authority.

New River Valley Emergency Communications Regional Authority

Created by a joint resolution of the university, towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority provides 911 dispatch and emergency communication services to the people of each jurisdiction and campus. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. The university paid $960,000 to the authority for the fiscal year ended June 30, 2023.

30. Risk Management and Employee Health Care Plans

The university is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The university participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, boiler and machinery, as well as air and watercraft plans. The university pays premiums to the Commonwealth of Virginia for the aforementioned insurance coverage. In addition, the university contracts with private insurers to provide additional fidelity bonding coverage, automobile physical damage coverage, and overseas liability coverage. Information relating to the commonwealth's insurance plans is available in the Commonwealth of Virginia's *Annual Comprehensive Financial Report.*

31. Coronavirus Relief Funding

During the fiscal year the university expended $7.4 million of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to provide financial aid grants to students.

32. Pending Litigation

The university has been named as a defendant in a number of lawsuits. The final outcome of the lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the university may be exposed will not have a material effect upon the university's financial position.

Required Supplementary Information

Required Supplementary Information for Pension Plans

Schedule of Virginia Tech's Share of Net Pension Liability (SERP)*
For the measurement dates of June 30, 2014 - 2022
(all dollars in thousands)

	Proportion of net pension liability	Proportionate share of net pension liability	Employer's covered payroll	Proportionate share of net pension liability as a percentage of employer's covered payroll	Plan fiduciary net position as a percentage of total pension liability
2022	6.17%	$ 280,125	$ 283,379	98.85%	83.26%
2021	6.28%	$ 277,619	$ 271,869	102.11%	86.44%
2020	6.35%	$ 460,400	$ 283,418	162.45%	72.15%
2019	6.42%	$ 405,894	$ 270,954	149.80%	75.13%
2018	6.46%	$ 349,811	$ 270,309	129.41%	77.39%
2017	6.55%	$ 381,766	$ 262,376	145.50%	75.33%
2016	6.58%	$ 433,375	$ 263,416	164.52%	71.29%
2015	6.52%	$ 398,980	$ 246,888	161.60%	72.81%
2014	6.30%	$ 352,916	$ 243,099	145.17%	74.28%

Schedule of Virginia Tech's Share of Net Pension Liability (VaLORS)*
For the measurement dates of June 30, 2014 - 2022
(all dollars in thousands)

	Proportion of net pension liability	Proportionate share of net pension liability	Employer's covered payroll	Proportionate share of net pension liability as a percentage of employer's covered payroll	Plan fiduciary net position as a percentage of total pension liability
2022	0.75%	$ 4,738	$ 2,535	186.90%	74.41%
2021	0.66%	$ 3,435	$ 2,296	149.61%	78.18%
2020	0.64%	$ 5,024	$ 2,367	212.25%	65.74%
2019	0.66%	$ 4,557	$ 2,293	198.74%	68.31%
2018	0.66%	$ 4,144	$ 2,294	180.65%	69.56%
2017	0.67%	$ 4,397	$ 2,315	189.94%	67.22%
2016	0.67%	$ 5,201	$ 2,328	223.41%	61.01%
2015	0.66%	$ 4,716	$ 2,247	209.88%	62.64%
2014	0.70%	$ 4,706	$ 2,461	191.22%	63.05%

The schedules above are intended to show information for 10 years. Since 2022 is the ninth year for this presentation, there are only nine years are available. Additional years will be included as they become available.

Schedule of Virginia Tech's Pension Contributions (SERP)
For the years ended June 30, 2014 - 2023
(all dollars in thousands)

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2023	$ 44,415	$ 44,415	$ -	$ 306,250	14.50%
2022	$ 41,085	$ 41,085	$ -	$ 283,379	14.50%
2021	$ 39,309	$ 39,309	$ -	$ 271,869	14.46%
2020	$ 37,758	$ 37,758	$ -	$ 283,418	13.32%
2019	$ 36,003	$ 36,003	$ -	$ 270,954	13.29%
2018	$ 36,466	$ 36,466	$ -	$ 270,309	13.49%
2017	$ 35,348	$ 35,348	$ -	$ 262,376	13.47%
2016	$ 36,931	$ 36,931	$ -	$ 263,416	14.00%
2015	$ 30,392	$ 30,392	$ -	$ 246,488	12.30%
2014	$ 21,296	$ 21,296	$ -	$ 243,099	8.76%

Schedule of Virginia Tech's Pension Contributions (VaLORS)
For the years ended June 30, 2014 - 2023
(all dollars in thousands)

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2023	$ 746	$ 746	$ -	$ 3,007	24.81%
2022	$ 557	$ 557	$ -	$ 2,535	21.97%
2021	$ 512	$ 512	$ -	$ 2,296	22.30%
2020	$ 503	$ 503	$ -	$ 2,367	21.25%
2019	$ 496	$ 496	$ -	$ 2,293	21.63%
2018	$ 483	$ 483	$ -	$ 2,294	21.05%
2017	$ 487	$ 487	$ -	$ 2,315	21.04%
2016	$ 439	$ 439	$ -	$ 2,328	18.86%
2015	$ 397	$ 397	$ -	$ 2,247	17.67%
2014	$ 364	$ 364	$ -	$ 2,461	14.79%

Notes to Required Supplementary 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	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	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 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

Schedule of Virginia Tech's Share of OPEB Liability (Asset)
For the measurement dates of June 30, 2017 through 2022
(all dollars in thousands)

	Year	PMRH	VSDP	GLI	HIC	LODA
Employer's proportion of the collective total OPEB liability (asset)	2022	9.12%	3.58%	3.06%	8.77%	0.25%
	2021	9.02%	3.69%	3.03%	8.66%	0.25%
	2020	8.93%	3.72%	3.03%	8.63%	0.23%
	2019	8.72%	3.79%	2.99%	8.59%	0.24%
	2018	8.53%	3.81%	2.95%	8.32%	0.23%
	2017	8.34%	3.79%	2.87%	8.19%	0.25%
Employer's proportionate share of the collective total OPEB liability (asset)	2022	$ 33,126	$ (10,575)	$ 36,809	$ 71,844	$ 933
	2021	$ 40,472	$ (12,709)	$ 35,260	$ 73,126	$ 1,103
	2020	$ 50,797	$ (8,213)	$ 50,486	$ 79,244	$ 957
	2019	$ 59,214	$ (7,438)	$ 48,635	$ 79,327	$ 868
	2018	$ 85,746	$ (8,583)	$ 44,770	$ 75,868	$ 735
	2017	$ 108,278	$ (7,790)	$ 43,235	$ 74,567	$ 663
Employer's covered payroll (where applicable)	2022		$ 164,921	$ 664,979	$ 664,536	
	2021		$ 159,351	$ 625,278	$ 623,963	
	2020		$ 161,260	$ 622,611	$ 621,914	
	2019		$ 153,447	$ 585,890	$ 585,614	
	2018		$ 147,739	$ 553,929	$ 558,853	
	2017		$ 142,553	$ 526,681	$ 531,560	
Proportionate share of the collective total OPEB liability (asset) as a percentage of employer's covered payroll	2022		6.41%	5.54%	10.81%	
	2021		7.98%	5.64%	11.72%	
	2020		5.09%	8.11%	12.74%	
	2019		4.85%	8.30%	13.55%	
	2018		5.81%	8.08%	13.58%	
	2017		5.46%	8.21%	14.03%	
Covered-employee payroll (where applicable)	2022	$ 689,890				N/A*
	2021	$ 643,930				N/A*
	2020	$ 642,357				N/A*
	2019	$ 601,489				N/A*
	2018	$ 575,313				N/A*
	2017	$ 548,609				N/A*
Proportionate share of the collective total OPEB liability (asset) as a percentage of covered-employee payroll	2022	4.80%				N/A*
	2021	6.29%				N/A*
	2020	7.91%				N/A*
	2019	9.84%				N/A*
	2018	14.90%				N/A*
	2017	19.74%				N/A*
Plan Fiduciary Net Position as a percentage of the total OPEB liability (asset)	2022	N/A	195.90%	67.21%	21.52%	1.87%
	2021	N/A	229.01%	67.45%	19.75%	1.68%
	2020	N/A	181.88%	52.64%	12.02%	1.02%
	2019	N/A	167.18%	52.00%	10.56%	0.79%
	2018	N/A	194.74%	51.22%	9.51%	0.60%
	2017	N/A	186.63%	48.86%	8.03%	1.30%

**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.*

This schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, there are only six years are available. Additional years will be included as they become available.

Schedule of Virginia Tech's Share of OPEB Contributions
For the years ended June 30, 2018 through 2023
(all dollars in thousands)

	Year	VSDP	GLI	HIC	LODA
Contractually required contribution	2023	$ 1,088	$ 3,740	$ 8,047	$ 42
	2022	$ 998	$ 3,584	$ 7,429	$ 32
	2021	$ 971	$ 3,397	$ 7,050	$ 34
	2020	$ 968	$ 3,231	$ 7,262	$ 31
	2019	$ 950	$ 3,039	$ 6,836	$ 32
	2018	$ 977	$ 2,880	$ 6,653	$ 25
Contributions in relation to contractually required contribution	2023	$ 1,088	$ 3,740	$ 8,047	$ 42
	2022	$ 998	$ 3,584	$ 7,429	$ 32
	2021	$ 971	$ 3,397	$ 7,050	$ 34
	2020	$ 968	$ 3,231	$ 7,262	$ 31
	2019	$ 950	$ 3,039	$ 6,836	$ 32
	2018	$ 977	$ 2,880	$ 6,653	$ 25
Contribution deficiency (excess)	2023	$ -	$ -	$ -	$ -
	2022	$ -	$ -	$ -	$ -
	2021	$ -	$ -	$ -	$ -
	2020	$ -	$ -	$ -	$ -
	2019	$ -	$ -	$ -	$ -
	2018	$ -	$ -	$ -	$ -
Employer's covered payroll (where applicable)	2023	$ 178,588	$ 722,110	$ 721,504	3,272
	2022	$ 164,921	$ 664,979	$ 664,536	2,734
	2021	$ 159,351	$ 625,278	$ 623,963	2,455
	2020	$ 161,260	$ 622,611	$ 621,914	2,419
	2019	$ 153,447	$ 585,890	$ 585,614	2,297
	2018	$ 147,739	$ 553,929	$ 558,853	2,843
Contributions as a percentage of employer's covered payroll	2023	0.61%	0.52%	1.12%	1.28%
	2022	0.61%	0.54%	1.12%	1.17%
	2021	0.61%	0.54%	1.13%	1.38%
	2020	0.60%	0.52%	1.17%	1.28%
	2019	0.62%	0.52%	1.17%	1.39%
	2018	0.66%	0.52%	1.19%	0.88%

**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.*

This schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, there are only six years are available. Additional years will be included 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 assumptions were updated since the June 30, 2021 valuation based on recent experience:

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

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

The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2023.

VSDP, GLI, HIC, and LODA 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 (VSDP, GLI, HIC, LODA)

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 (Discount rate does not apply to 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)

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

SPORS Employees (VSDP, 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	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change (Discount rate does not apply to LODA)

VaLORS Employees (GLI, HIC)

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

VaLORS Employees (VSDP, 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	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change (Discount rate does not apply to LODA)

JRS (GLI, HIC)

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

Largest Ten Locality Employers – General Employees (GLI)

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for 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. 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. 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

Optional Supplementary Information

Virginia Tech Foundation Inc.

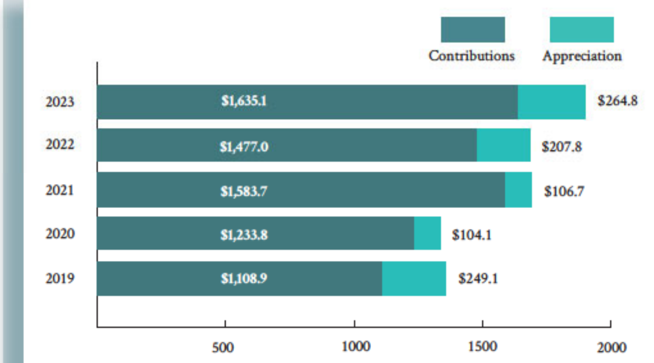
The purpose of Virginia Tech Foundation Inc. is to receive, invest, and manage private funds given for the support of programs at Virginia Tech and to foster and promote the growth, progress, and general welfare of the university.

During the current fiscal year, the foundation recognized $136.1 million in contributions for support of the university. Investment income of $28.4 million along with net gain on investments of $71.6 million resulted in a $43.3 million net gain on investment activity. Property rental, hotel operating, and golf course income totaled $82.3 million. Other income accounted for $18.1 million.

Total income of $336.5 million was offset by $220.6 million in expenses that supported the university and its programs. Direct support to various university programs aggregated $143.3 million, which included $39.5 million in scholarship support to students and faculty and $15.6 million towards university capital projects. Additional expenses such as fundraising, management and general, research center, hotel operating, golf course, and other costs totaled $77.3 million. Total net position increased by $121.8 million over the previous year.

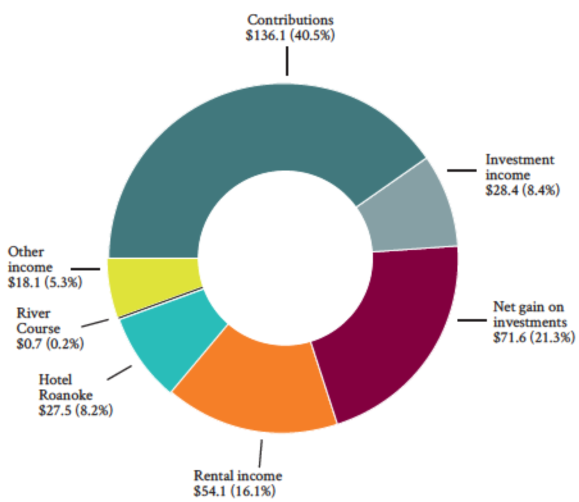
The graphs on this page are categorized as presented in the foundation's audited financial statements that follow the Financial Accounting Standards Board (FASB) presentation requirements.

Endowment Market Value - Virginia Tech Foundation Inc.*
For the years ended June 30, 2019-2023
(all dollars in millions)

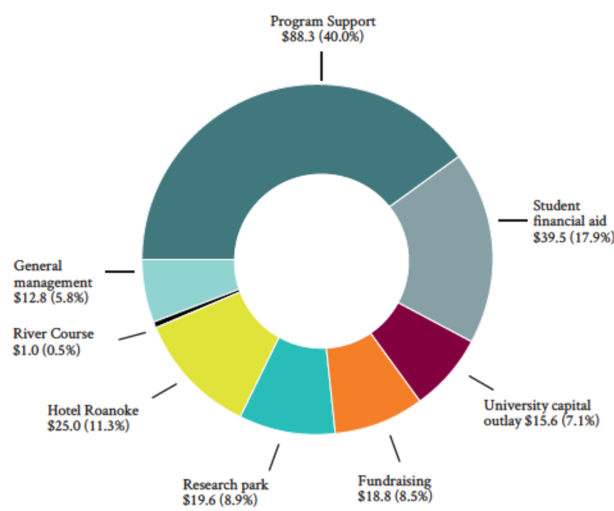


*Market value of endowment funds includes agency deposits held in trust of $648.6 million. *(Source: Virginia Tech Investment Managers, unaudited)*

Revenues, Gains, and Other Support - Virginia Tech Foundation Inc.
For the year ended June 30, 2023
(all dollars in thousands)



Expenses - Virginia Tech Foundation Inc.
For the year ended June 30, 2023
(all dollars in thousands)



Affiliated Corporations Financial Highlights

For the years ended June 30, 2023-2019
(all dollars in thousands)

	2023 (1)	2022	2021	2020	2019(2)
Assets					
Virginia Tech Foundation Inc.	$ 2,838,340	$ 2,667,802	$ 2,687,603	$ 2,265,838	$ 2,107,138
Virginia Tech Innovation Corporation	N/A	11,311	9,145	9,488	10,798
Virginia Tech Services Inc.	11,449	8,677	7,380	7,311	6,803
Virginia Tech Applied Research Corporation	10,609	5,827	4,610	4,219	4,885
Virginia Tech Intellectual Properties Inc.	3,525	2,752	2,102	1,735	1,201
Total Assets	$ 2,863,923	$ 2,696,369	$ 2,710,840	$ 2,288,591	$ 2,130,825
Revenues					
Virginia Tech Foundation Inc.	$ 336,472	$ 248,744	$ 465,260	$ 210,179	$ 257,082
Virginia Tech Innovation Corporation	N/A	7,000	4,731	4,921	7,015
Virginia Tech Services Inc.	4,374	3,938	2,533	4,172	18,872
Virginia Tech Applied Research Corporation	20,840	18,949	13,419	11,233	11,431
Virginia Tech Intellectual Properties Inc.	3,839	3,075	2,502	2,052	2,193
Total Revenues	$ 365,525	$ 281,706	$ 488,445	$ 232,557	$ 296,593
Expenses					
Virginia Tech Foundation Inc.	$ 220,582	$ 242,232	$ 155,779	$ 180,673	$ 170,041
Virginia Tech Innovation Corporation	N/A	6,747	5,347	6,612	6,655
Virginia Tech Services Inc.	2,881	3,130	2,433	3,438	18,957
Virginia Tech Applied Research Corporation	19,421	17,930	13,262	11,415	10,715
Virginia Tech Intellectual Properties Inc.	1,457	2,888	2,138	2,016	2,155
Total Expenses	$ 244,341	$ 272,927	$ 178,959	$ 204,154	$ 208,523

(1) Virginia Tech Innovation Corporation amounts for the current year were not available at publication date..
(2) Virginia Tech Services Inc. restated.

The organizations included above are related to the university by affiliation agreements. These agreements, approved by the Virginia Tech Board of Visitors, require an annual audit to be performed by independent auditors. These auditors have examined the financial records of the organizations presented in the table above and copies of their audit reports have been or will be provided to the university. Values presented in this table are based solely upon these audit reports and do not include any consolidation entries to alter these amounts. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Virginia Tech Athletic Fund Inc., Virginia Tech Corps of Cadets Alumni Inc., and Virginia Tech Alumni Association meet exemption requirements and are not presented separately in this table. Additionally, Virginia Tech India Research and Education Forum (VTIREF) is not presented in this table due to the immateriality of its financial figures in comparison with the organizations included.

Consolidating Schedule of Net Position

As of June 30, 2023
(all dollars in thousands)

	Current Funds		Loan	Endowment and	Plant	Agency	
	Unrestricted	Restricted	Funds	Similar Funds	Funds	Funds	Total
Assets							
Current assets							
Cash and cash equivalents (Note 4)	$ 219,626	$ 3,140	$ 2,181	$ -	$ -	$ 11,929	$ 236,876
Accounts and contributions receivable, net (Notes 1, 5)	35,522	92,638	-	-	-	-	128,160
Notes receivable, net (Notes 1, 6)	309	-	168	-	-	-	477
Due from Commonwealth of Virginia (Note 10)	15,417	5	-	-	-	-	15,422
Inventories	19,865	-	-	-	-	-	19,865
Prepaid expenses	8,976	1,090	-	-	-	-	10,066
Due to (from) other funds	(55,796)	10,315	(134)	(542)	46,157	-	-
Total current assets	243,919	107,188	2,215	(542)	46,157	11,929	410,866
Noncurrent assets							
Cash and cash equivalents (Note 4)	5	-	-	364	119,249	-	119,618
Short-term investments (Note 4)	-	-	-	-	2,112	-	2,112
Due from Commonwealth of Virginia (Note 10)	-	-	-	-	62,517	-	62,517
Accounts and contributions receivable, net (Notes 1, 5)	1,369	-	-	-	8,827	-	10,196
Notes receivable, net (Notes 1, 6)	4,284	-	1,404	-	-	-	5,688
Long-term investments (Note 4)	740,017	39,000	-	70,736	60,435	-	910,188
Depreciable capital assets, net (Note 7, 16)	-	-	-	-	2,150,406	-	2,150,406
Nondepreciable capital assets (Note 7)	-	-	-	-	486,171	-	486,171
Other assets	135	10,575	-	-	-	-	10,710
Total noncurrent assets	745,810	49,575	1,404	71,100	2,889,717	-	3,757,606
Total assets	989,729	156,763	3,619	70,558	2,935,874	11,929	4,168,472
Deferred outflows of resources	81,820	9,081	-	-	3,421	-	94,322
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities (Note 8)	135,451	24,833	-	-	68,563	3,352	232,199
Accrued compensated absences (Notes 1, 17)	32,712	6,586	-	-	-	-	39,298
Unearned revenue (Notes 1, 9)	26,053	30,829	-	-	-	-	56,882
Funds held in custody for others	-	-	-	-	-	8,577	8,577
Commercial paper (Note 11)	-	-	-	-	6,813	-	6,813
Long-term subscription-based IT arrangements payable (Note 16)	-	-	-	-	5,410	-	5,410
Long-term leases payable (Note 15)	-	-	-	-	19,821	-	19,821
Long-term debt payable (Notes 12, 13)	-	-	-	-	32,254	-	32,254
Other postemployment benefits liabilities (Notes 17, 21)	3,142	500	-	-	-	-	3,642
Other liabilities	-	-	673	-	-	-	673
Total current liabilities	197,358	62,748	673	-	132,861	11,929	405,569
Noncurrent liabilities							
Accrued compensated absences (Notes 1, 17)	17,837	3,591	-	-	-	-	21,428
Federal student loan program contributions refundable (Notes 17, 23)	-	-	670	-	-	-	670
Long-term subscription-based IT arrangements payable (Note 16)	-	-	-	-	12,798		12,798
Long-term leases payable (Note 15)	-	-	-	-	186,130	-	186,130
Long-term debt payable (Notes 12, 13)	-	-	-	-	575,520	-	575,520
Pension liability (Notes 17, 19)	289,924	(5,061)	-	-	-	-	284,863
Other postemployment benefits liabilities (Notes 17, 21)	147,249	(8,179)	-	-	-	-	139,070
Other liabilities	4,210	-	-	-	-	-	4,210
Total noncurrent liabilities	459,220	(9,649)	670	-	774,448	-	1,224,689
Total liabilities	656,578	53,099	1,343	-	907,309	11,929	1,630,258
Deferred inflows of resources	126,885	2,384	-	-	1,356	-	130,625
Net position							
Net investment in capital assets	-	-	-	-	1,891,196	-	1,891,196
Restricted, nonexpendable	-	-	-	14,249	-	-	14,249
Restricted, expendable							
Scholarships, research, instruction, and other	-	110,361	2,276	56,309	-	-	168,946
Capital projects	-	-	-	-	42,360	-	42,360
Debt service and auxiliary operations	-	-	-	-	97,074	-	97,074
Unrestricted	288,086	-	-	-	-	-	288,086
Total net position	$ 288,086	$ 110,361	$ 2,276	$ 70,558	$ 2,030,630	$ -	$ 2,501,911

Consolidating Schedule of Revenues, Expenses, and Changes in Net Position

As of June 30, 2023
(all dollars in thousands)

	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment and Similar Funds	Plant Funds	Total
Operating revenues						
Student tuition and fees, net (Note 1)	$ 645,766	$ 1,231	$ -	$ -	$ -	$ 646,997
Federal appropriations	-	14,361	-	-	-	14,361
Federal grants and contracts	70,169	221,496	(603)	-	-	291,062
State grants and contracts	1,279	25,505	-	-	-	26,784
Local grants and contracts (Note 3)	518	14,084	-	-	-	14,602
Nongovernmental grants and contracts	12,517	46,896	-	-	20	59,433
Sales and services of educational activities	30,673	64	-	-	-	30,737
Auxiliary enterprise revenue, net (Note 1)	342,773	607	-	-	-	343,380
Other operating revenues	10,792	5,001	161	-	-	15,954
Total operating revenues	1,114,487	329,245	(442)	-	20	1,443,310
Operating expenses						
Instruction	484,869	5,515	-	-	-	490,384
Research	130,163	267,154	-	-	-	397,317
Public service	58,119	44,574	-	-	-	102,693
Academic support	122,367	9,242	-	-	-	131,609
Student services	31,702	1,810	-	-	-	33,512
Institutional support	80,802	11,603	-	-	-	92,405
Operation and maintenance of plant	97,432	(81)	-	-	13,525	110,876
Student financial assistance	21,131	15,263	(120)	-	-	36,274
Auxiliary enterprises	278,912	(134)	-	-	-	278,778
Depreciation and amortization (Note 7)	-	-	-	-	151,013	151,013
Total operating expenses	1,305,497	354,946	(120)	-	164,538	1,824,861
Operating revenue (loss)	(191,010)	(25,701)	(322)	-	(164,518)	(381,551)
Non-operating revenues (expenses)						
State appropriations (Note 24)	323,852	41,479	-	-	-	365,331
Gifts	26,366	66,602	-	-	-	92,968
Coronavirus relief funding	-	7,443	-	-	-	7,443
Non-operating grants and contracts	-	384	-	-	-	384
Federal student financial aid (Pell)	-	24,780	-	-	-	24,780
Investment income, net	43,763	2,084	8	4,670	9,742	60,267
Interest expense on subscription-based IT arrangements	(212)	(1)	-	-	-	(213)
Interest expense on long-term leases	(6,538)	(163)	-	-	-	(6,701)
Interest expense on debt related to capital assets	-	-	-	-	(15,527)	(15,527)
Other non-operating revenue	13,764	1,561	-	-	1,159	16,484
Net non-operating revenues (expenses)	400,995	144,169	8	4,670	(4,626)	545,216
Income (loss) before other revenues, expenses, gains, or losses	209,985	118,468	(314)	4,670	(169,144)	163,665
Capital appropriations (Note 24)	-	-	-	-	43,550	43,550
Capital grants and gifts (Note 10)	14,308	4,819	-	-	150,087	169,214
Gain on disposal of capital assets	101	10	-	-	43	154
Total other revenues, expenses, gains, and losses	14,409	4,829	-	-	193,680	212,918
Increase in net position	224,394	123,297	(314)	4,670	24,536	376,583
Mandatory transfers	(56,653)	(554)	-	-	57,207	-
Nonmandatory transfers	(78,325)	(587)	(434)	(2,107)	81,453	-
Equipment and library book transfers	(56,454)	(9,840)	-	-	66,294	-
Scholarship allowance transfer	94,529	(94,529)	-	-	-	-
Total transfers	(96,903)	(105,510)	(434)	(2,107)	204,954	-
Increase (decrease) in net position after transfers	127,491	17,787	(748)	2,563	229,490	376,583
Net position - beginning of year, as restated (Note 1)	160,595	92,574	3,024	67,995	1,801,140	2,125,328
Net position - end of year	$ 288,086	$ 110,361	$ 2,276	$ 70,558	$ 2,030,630	$ 2,501,911

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 3, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit and Review Commission

Board of Visitors
Virginia Polytechnic Institute and State University

President Timothy D. Sands
Virginia Polytechnic Institute and State University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of **Virginia Polytechnic Institute and State University** (Virginia Tech) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Virginia Tech's basic financial statements and have issued our report thereon dated November 3, 2023. Our report includes a reference to other auditors who audited the financial statements of the component unit of Virginia Tech, as described in our report on Virginia Tech's financial statements. The other auditors did not audit the financial statements of the component unit of Virginia Tech in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component unit of the University.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Tech's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Tech's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Tech's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Status of Prior Findings

We did not perform audit work related to the finding included in our report dated November 12, 2020, and reissued in our Student Financial Assistance Cluster report dated February 4, 2022, titled "Improve Compliance over Enrollment Reporting," because Virginia Tech did not implement corrective action during our audit period. We will follow up on this finding during the fiscal year 2024 audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

MBR/vlks

University Administrative Officers

(as of June 30, 2023)

Virginia Tech Board of Visitors

Letitia A. Long, *Rector*
Edward H. Baine, *Vice Rector*
Shelley Butler Barlow
David Calhoun
Carrie H. Chenery
Sandy C. Davis
Greta J. Harris
Charles T. Hill
Charles "Brad" Hobbs
Anna L. James
Sharon Brickhouse Martin
Melissa Byrne Nelson
L. Chris Petersen
Jeffrey E. Veatch

Academic Deans

Alan L. Grant
College of Agriculture and Life Sciences

Rosemary Blieszner *(interim)*
College of Architecture, Arts, and Design

Julia M. Ross
College of Engineering / Special Advisor to the President

Aimée Surprenant
College of Graduate Education

Paul Knox
Honors College

Laura Belmonte
College of Liberal Arts and Human Sciences

Paul M. Winistorfer
College of Natural Resources and Environment

Roberta Russell *(interim)*
Pamplin College of Business

Kevin T. Pitts
College of Science

Tyler O. Walters
University Libraries

M. Daniel Givens
Virginia-Maryland College of Veterinary Medicine

Lee A. Learman
Virginia Tech Carilion School of Medicine

Financial Officers

Melinda J. West
Associate Vice President for Finance and University Controller

Timothy L. Hodge
Associate Vice President for Budget & Financial Planning

Robert R. Broyden
Associate Vice President for Capital Assets & Financial Management

Senior Officers

Timothy D. Sands
President

Cyril R. Clarke
Executive Vice President and Provost

Amy Sebring
Executive Vice President and Chief Operating Officer

Daniel Sui
Senior Vice President and Chief Research and Innovation Officer

Lance R. Collins
Vice President and Executive Director, Innovation Campus

Charles D. Phlegar
Vice President for Advancement

Sharon Kurek
Vice President for Audit, Risk, and Compliance and Chief Risk Officer

Lynsay Belshe
Vice President of Auxiliary and Business Services

Christopher H. Kiwus
Vice President for Campus Planning, Infrastructure, and Facilities

Tracy Vosburgh
Vice President of Communications and Marketing

Kenneth E. Miller
Vice President for Finance and University Treasurer

Chris Yianilos
Vice President for Government and Community Relations

Michael J. Friedlander
Vice President for Health Sciences and Technology

Bryan Garey
Vice President for Human Resources

Scott F. Midkiff
Vice President for Information Technology and Chief Information Officer

Guru Ghosh
Vice President for Outreach and International Affairs

Kim T. O'Rourke
Vice President for Policy and Governance

Menah Pratt
Vice President for Strategic Affairs and Diversity

Steven H. McKnight
Vice President for Strategic Alliances

Lisa J. Wilkes
Vice President for Strategic Initiatives / Special Assistant to the President

Frances Keene
Vice President for Student Affairs

Virginia Polytechnic Institute and State University
Prepared by Office of the University Controller
Photos courtesy of Communications and Marketing
Published January 2024
This report and reports from prior years are available at www.controller.vt.edu/resources/financialreporting.html.

Office of the University Controller
Virginia Polytechnic Institute and State University
www.controller.vt.edu

Financial and Liquidity Risk Management

Ken Miller, Vice President for Finance and University Treasurer

Tim Hodge, Associate Vice President for Budget and Financial Planning

Compliance, Audit, and Risk Committee

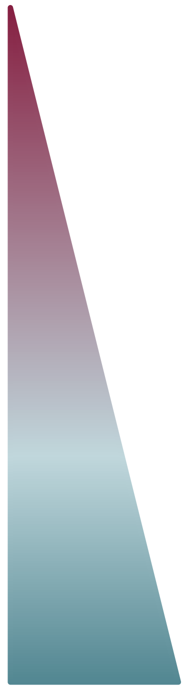
April 8, 2024

Attachment I

Liquidity and Enterprise Risk Management

1. Provides the institution time to mitigate financial risks
2. Influences the debt rating, affecting cost of capital and Restructuring
   A. 20-year debt: Aa1 is 3.9%, while Aa2 is 4.1%
   B. Management Agreement requires unenhanced AA- by S&P, which is equivalent to Aa3 by Moody’s
3. Facilitates effective business processes
4. Protects the long-term investment program
5. Provides flexibility for opportunistic strategic investments

Risks



Opportunities

Financial Risks Affecting Liquidity

Category	Financial Risks	Events	Preventative Measures
Revenues	Concentrated revenue sources: 46% Tuition, Fees, R&B 19% General Fund 35% Other (Sponsored Grants & Contracts, Sales & Services)	• Major emergency or event • Major enrollment variance • Economic recession - reduction of governmental support • Other TBD recognizing uncertainty	• Best practices: risk assessment, quantify potential effects, mitigation strategies, improve preparedness • Maintain structurally balanced budget • Financial performance monitoring with quarterly financial performance reports to BOV • Strong enrollment management function • Institutional alignment (e.g., PIBB model) • Intentional program funding (including financial aid) • Robust partnership with state • Thoughtful brand management • Ongoing monitoring and management of appropriate institutional liquidity

VIRGINIA TECH

Financial Risks Affecting Liquidity

Category	Financial Risks	Events	Preventative Measures	Mitigating Measures
Expenditures	Facilities	• Damage/disaster • Cost of construction	• Maintain insurance policies • Fixed-rate debt	• File insurance claims • Re-amortize debt
	Unfunded mandates	• Increased regulatory compliance costs • Government programs (e.g., military education benefits) • Regulated industry inflation	• Legislative session monitoring • Consortium/association participation	• Strategic reallocation • Focused fundraising • Consortium/ association influence
Investments	Market performance	• Federal Reserve OMC rate changes • Investment performance	• Asset allocation* • Investment advisor* • Maintain lines of credit	• Draw lines of credit • Minimize investment costs (i.e., realized losses, forfeited earnings, interest expense)
	Investment availability	• Investment lockups with longer strategies		

**Relates to November 2023 investment policy updates.*

Liquidity and Debt Rating

Moody's Aa1 rating for VT is due to:

1. Strong student demand, retention & graduation rates
2. Strong state support for VT
3. Disciplined forward-looking financial planning practices
4. Significant fundraising and solid endowment levels
5. Strong brand
6. Steady operating surpluses
7. Experienced and capable senior management team

S&P	Moody's
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A2
A-	A3
BBB+	Baa1

- Moody's: liquidity negatively affects rating when it is exceptionally weak or liquidity management practices are aggressive relative to peers.
- VT has maintained a strategy to maximize the achievement of the university's strategic plan while maintaining minimal, yet prudent, reserves.

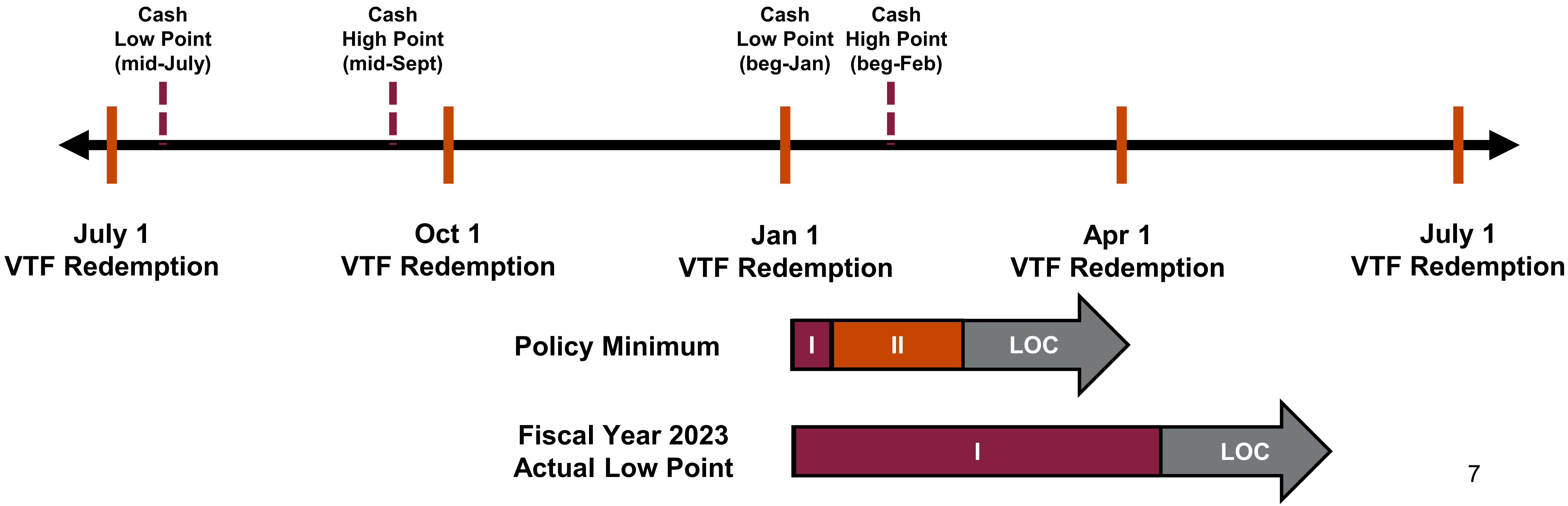
Liquidity Management

- Investment team:
  - VP Finance & Treasurer, Associate Treasurer, Controller, Budget & Financial Planning
- Balance risk and return
  - BOV goal of adding at least $20M per year
- Minimize impact on debt rating
  - Receives advice from consultants and evaluates liquidity with rating agencies in advance for capital debt and long-term investment strategies
- Plan for cash low points in advance
  - Revenue cycle: large semiannual cash inflow (T&F)
  - Expenditure cycle: semimonthly expenditures (salaries and wages)
  - Internally funded capital projects
  - Debt service payments

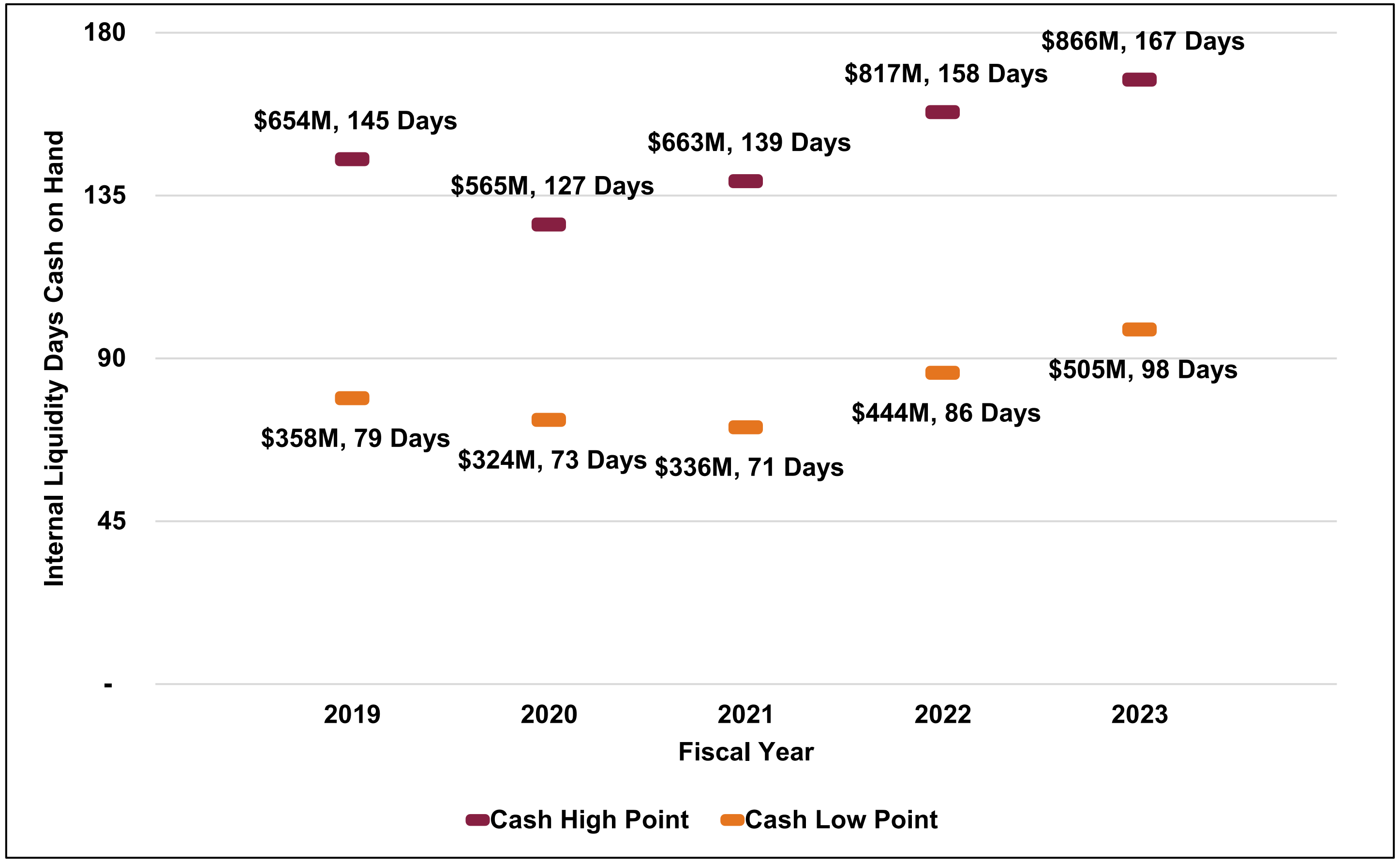
Liquidity Calendar

Potential of up to 90-day lead time for university to access its VTF investments. Therefore:

- The University Investment Policy requires, at the lowest point of the year, **<u>at least</u>**:
    - 10 days cash-on-hand in Tier I investments;
    - 35 days cash-on-hand in Tier II investments; and
    - 45 days cash-on-hand external liquidity (Lines of Credit, same-day liquidity)



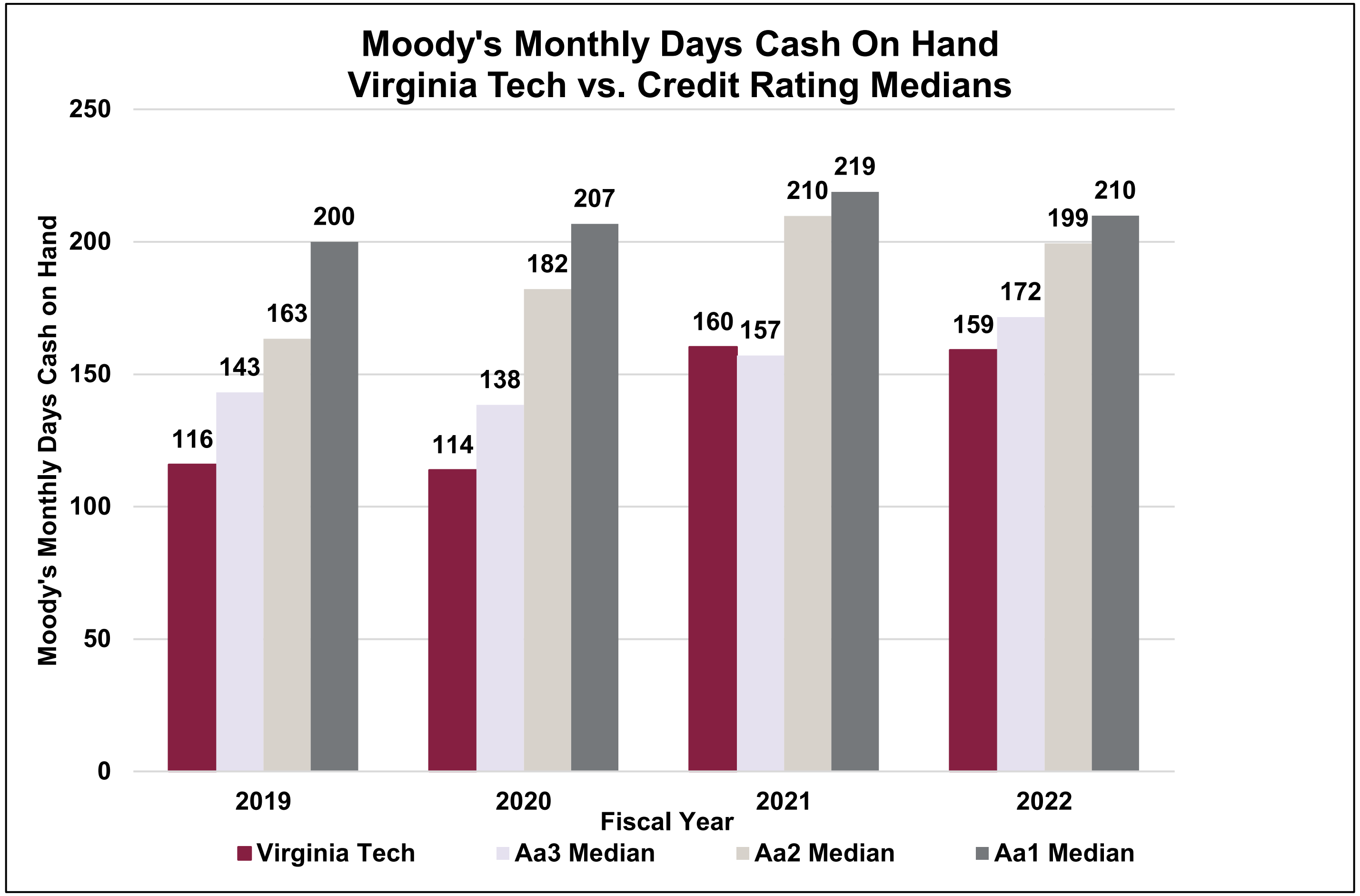
University Internal Liquidity Trend



- Cash balances exceeding 45 days represent a risk management buffer: in FY23, low point of 98 days represents a 53-day excess over policy minimum.
- Variance analysis: a pandemic or 30% GF reduction equates to ~19 days of cash ($105M), assuming no incremental revenues or reduction in expenditures.
    - FY23 low point provided 2.7x buffer over policy minimum.

Credit Rating Benchmarking

- Moody's calculation methodology is slightly different from the university's. Specifically, Moody's:
  - Includes only unrestricted investments that could be liquidated within 30 days
  - Utilizes balances as of year-end (June 30) rather than a high/low point



2023 data not available.

Liquidity and Asset Allocation

Description	Tier I	Tier II	Tier III
Money Managers	1. DDA/Money Market 2. Active Cash 3. Short Duration	Fixed Income Strategies – TBD	Virginia Tech Foundation Consolidated Endowment Fund (CEF)*
Investment Type	VIPFA	UPMIFA	
Fund Sources	Tuition and State Appropriations (Required); Nongeneral Funds	Nongeneral Funds	
Focus	Principal protection	Enhanced earnings with prudent management of principal volatility	Enhanced earnings; Predictable payout
Projected 10 Yr. Return	3.0%	TBD; 3.9% – 4.4%	7.5%
Projected SD	1.0%	TBD; 2.6% – 3.6%	
Availability	Same-day	1-3 days; potential earnings forfeiture	Quarterly
Liquidity Minimum	10 days	35 days	Not applicable
University Internal Days Cash on Hand	Unrestricted and Restricted Balances		None
Moody's Monthly Days Cash on Hand	Unrestricted Balances Only		Unrestricted Balances available to CEF within 30 days

- 10 days of Tier I liquidity allows for decisions about accessing lines of credit or strategically liquidating Tier II or III
- Liquidity minimums provide flexibility in asset allocations between liquid investments

**VT-owned investments only.*

Conclusion

- Liquidity is a tool that helps the university manage enterprise risk.
- Liquidity management seeks to optimize tradeoffs between the risks and opportunities served by increased liquidity and those served by longer-term, illiquid strategies.
- The 90-day investment policy minimum is a safeguard to protect the university in the event of breakthrough risks at its cash low-points.
- The university has never redeemed funds from the VTF and consistently carries liquid balances above policy minimums.

DISCUSSION

Internal Audit Reports

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 8, 2024

Background

This report provides a summary of audit ratings issued this period and the full rating system definitions. The following reviews have been completed during this reporting period. The Office of Audit, Risk, and Compliance has made a concerted effort to ensure progress on the annual audit plan.

Consent Agenda Reports	Rating
Commonwealth Cyber Initiative	Improvements are recommended
Controller's Office: Fixed Assets	Effective
Data Analytics: Sponsored Equipment Purchases	Improvements are recommended
Facilities Management	Improvements are recommended
Reports for Discussion	**Rating**
Gramm-Leach-Bliley Act Compliance	Improvements are recommended
Strategic Enrollment Reporting	Effective

Summary of Audit Ratings

The Office of Audit, Risk, and Compliance's rating system has four tiers from which to assess the controls designed by management to reduce exposures to risk in the area being audited. The auditor can use professional judgment in constructing the exact wording of the assessment in order to capture varying degrees of deficiency or significance.

Definitions of each assessment option

Effective – The audit identified opportunities for improvement in the internal control structure, but business risks are adequately controlled in most cases.

Improvements are Recommended – The audit identified occasional or isolated business risks that were not adequately or consistently controlled.

Significant or Immediate Improvements are Needed – The audit identified several control weaknesses that have caused, or are likely to cause, material errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management should undertake immediate corrective actions to mitigate the associated business risk and possible damages to the organization.

Unreliable – The audit identified numerous significant business risks for which management has not designed or consistently applied controls prior to the audit. Persistent and pervasive control weaknesses have caused or could cause significant errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management must undertake immediate corrective actions to bring the situation under control and avoid (additional) damages to the organization.

RECOMMENDATION:

That the internal audit reports listed above be accepted by the Compliance, Audit, and Risk Committee.

April 8, 2024

Discussion of Future Topics

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 8, 2024

The Chair of the Compliance, Audit, and Risk Committee will discuss agenda items for future meetings and adjourn the committee meeting.