



NORFOLK STATE
UNIVERSITY

We see the future in you.



2023-2024 Financial Statements

NORFOLK STATE UNIVERSITY
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NORFOLK STATE UNIVERSITY
LETTER FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION



**NORFOLK STATE
UNIVERSITY**

We see the future in you.

VICE PRESIDENT FOR FINANCE AND ADMINISTRATION
700 Park Avenue • Suite 310 • Norfolk, Virginia 23504
P: 757-823-8011 • F: 757-823-8084 • nsu.edu

November 18, 2025

Dr. Javaune Adams-Gaston, President; and Board of Visitors
Norfolk State University
700 Park Avenue
Norfolk, VA 23504

Dear President and Board of Visitors:

The official Financial Statements of Norfolk State University (NSU) for the fiscal year ending June 30, 2024, are hereby submitted. The statements include an accompanying statement of net position, statement of revenues, expenses, changes in net position, and statement of cash flows, along with associated notes and schedules. Moreover, the financial statements were prepared in conformity with Generally Accepted Accounting Principles (GAAP) and represent a comprehensive record of the financial position of NSU operations for the fiscal year ended June 30, 2024.

University management is responsible for the accuracy and completeness of data, fairness of presentation, and disclosures; consequently, University management assumes full responsibility and asserts, to the best of our knowledge and belief, that the information is accurate in all material aspects. To provide a reasonable basis for making these representations, University management has well-established, balanced internal controls designed to protect the University's assets from loss, theft, and misuse; and a reputable accounting system that compiles sufficient reliable information for the preparation of the University's financial statements and documents.

The Commonwealth of Virginia Auditor of Public Accounts audited and rendered an opinion on the University's financial statements on pages 120-123 and issued a report on internal control titled "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters," dated November 18, 2025.

The Governmental Accounting Standard Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter, the Management's Discussion and Analysis section, and the Auditor of Public Accounts' Report should all be read in conjunction to gain an enhanced understanding of the University's basic financial statements and required supplementary information.

The preparation and presentation of the financial statements are a collaborative process for the entire staff of the Division of Finance and Administration. Based upon their indefatigable and determined financial expertise, they are commended for maintaining the fiscal integrity and financial information for the University throughout the year. We truly appreciate their collective enthusiasm, professionalism, and dedication to the University.

Sincerely,

Gerald Ellsworth Hunter, PhD
Vice President and Chief Financial Officer
Finance and Administration

NORFOLK STATE UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

Overview

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Norfolk State University's (University) 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, 2024. Note that although the University's foundations, identified as component units under GASB Statement No. 14, as amended by GASB Statements No. 39 and 61, are reported in the financial statements, they are excluded from this MD&A, except where specifically noted. Comparative numbers, where presented, are for the fiscal year ended June 30, 2023. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, notes to the financial statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The three basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

Statement of Net Position

The Statement of Net Position presents the University's assets, deferred outflows, liabilities, deferred inflows and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a fiscal snapshot at June 30, 2024. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net Position is divided into three major categories. The first category, net investment in capital assets, represents the University's total investment in capital assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital assets. The next category is restricted, which is divided into two categories in the financial statements, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the permanent endowment fund and is only available for investment purposes. As of June 30, 2024, the University does not have any permanent endowments. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the donors and/or external entities that have placed time or purpose restrictions on the use of the asset. Unrestricted net position is available to the University for any lawful purpose of the University.

NORFOLK STATE UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

Condensed Summary of Net Position

(amounts in thousands)

	<u>As of June 30,</u>		<u>Increase/(Decrease)</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>Percent</u>
Assets:				
Current	\$ 79,605	\$ 68,076	\$ 11,529	17%
Capital, net of accumulated depreciation	290,240	281,844	8,396	3%
Other noncurrent	13,626	24,744 *	(11,118)	(45%)
Total assets	<u>383,471</u>	<u>374,664</u>	<u>8,807</u>	<u>2%</u>
Deferred outflows	<u>15,888</u>	<u>12,221</u>	<u>3,667</u>	<u>30%</u>
Total assets and deferred outflows	<u>\$ 399,359</u>	<u>\$ 386,885</u>	<u>\$ 12,474</u>	<u>3%</u>
Liabilities:				
Current	44,895	35,626	9,269	26%
Noncurrent	<u>131,575</u>	<u>133,315</u>	<u>(1,740)</u>	<u>(1%)</u>
Total liabilities	<u>176,470</u>	<u>168,941</u>	<u>7,529</u>	<u>4%</u>
Deferred inflows	<u>9,771</u>	<u>15,915</u>	<u>(6,144)</u>	<u>(39%)</u>
Total liabilities and deferred inflows	<u>186,241</u>	<u>184,856</u>	<u>1,385</u>	<u>1%</u>
Net position:				
Net investment in capital assets	211,701	198,834	12,867	6%
Restricted	18,310	20,733	(2,423)	(12%)
Unrestricted	<u>(16,893)</u>	<u>(17,538)</u>	<u>645</u>	<u>(4%)</u>
Total net position	<u>\$ 213,118</u>	<u>\$ 202,029 *</u>	<u>\$ 11,089</u>	<u>5%</u>

During fiscal year 2024, the Auditor of Public Accounts (APA) identified a prior period adjustment related to appropriations available and State Appropriations. As a result, Other Noncurrent Assets for fiscal year 2023 were restated to reflect a decrease of \$19.7 million in appropriations available that were previously reported as noncurrent assets. This adjustment reduced the beginning net position for 2023, as shown with an asterisk (*) next to the affected amounts on the Statement of Net Position. In accordance with GASB Statement No. 100, this restatement is presented as a prior period adjustment.

The University's financial position continues to remain strong at the end of the fiscal year 2024. Current assets increased by \$11.5 million or 17% while property, plant, and equipment assets increased by \$8.4 million or 3%. Total assets increased by \$8.8 million, which reflects an increase due to appropriations available and separately due to the decrease in COVID-19 funding.

Deferred outflows increased by \$3.7 million or 30% and include the fiscal year 2024 retirement contributions of \$7.3 million and OPEB contribution of \$1.5 million made by the University after the measurement date recognized as a reduction of the net pension liability or OPEB liability (asset) in the year ending June 30, 2024.

The increase in total assets combined with the improvement in deferred outflows yielded an overall increase in total assets and deferred outflows of \$12.5 million or 3%.

NORFOLK STATE UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

The increase in current liabilities of \$9.3 million or 26% is primarily attributed to the increase in accounts payable and accrued expenses. Also contributing to the increase in current liabilities is an increase in the current portion of long-term liabilities.

The noncurrent portion of long-term debt decreased \$6.5 million and was offset by the increase in net pension liability.

Noncurrent liabilities decreased by \$1.7 million or 1% primarily due to the principal payment of the University's notes payable. Deferred inflows, which decreased by \$6.1 million or 39%, represent pension and OPEB plan investments and contributions that will be recognized as reductions to pension expense in future years. Footnote 11 for pension plans and footnote 12 for OPEB plans discuss in more detail the pension expense recognition, deferred inflows and outflows, and employer contributions.

The improvement in deferred inflows largely offset the increase in liabilities, as total liabilities and deferred inflows increased by 1.4 million or 1%.

Total net position increased during fiscal year 2024 by \$11.1 million or 5%. The net investment in capital assets increased by \$12.9 million as a result of the implementation in fiscal year 2024 of Guide 2021-1, Question 5.1 related to the recording of aggregated assets. The restricted net position also decreased by \$2.4 million or 12% as funds set aside for capital projects were consumed.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total Net Position, as presented on the Statement of Net Position, are based on the activity as presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the University's operating and non-operating revenues recognized and expenses incurred and any other revenues, expenses, gains, and losses.

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

Non-operating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are non-operating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

NORFOLK STATE UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

Other sources of revenue mainly consist of appropriations received for the fine arts building planning, central maintenance reserve, and capital bond proceeds from the 21ST Century Program that is managed by the Virginia College Building Authority (VCBA) for the construction, renovation, and maintenance reserve projects.

Condensed Summary Statement of Revenues, Expenses, and Changes in Net Position (amounts in thousands)

	As of June 30,		Increase/(Decrease)	
	2024	2023	Amount	Percent
Operating revenues:				
Student tuition and fees, net of scholarship allowances of \$29,685 and \$22,394	\$ 23,279	\$ 27,761	\$ (4,482)	(16%)
Federal grants and contracts	19,532	16,319	3,213	20%
State grants and contracts	1,766	1,234	532	43%
Nongovernmental grants and contracts	2,293	1,830	463	25%
Public service	149	91	58	64%
Auxiliary enterprises, net of scholarship allowances of \$29,831 and \$21,815	35,833	33,644	2,189	7%
Other operating revenues	293	325	(32)	(10%)
Total operating revenues	83,145	81,204	1,941	2%
Operating expenses:				
Instruction	59,578	53,912	5,666	11%
Research	6,711	5,356	1,355	25%
Public service	727	134	593	443%
Academic support	18,442	17,194	1,248	7%
Student services	9,820	7,407	2,413	33%
Institutional support	24,345	47,010	(22,665)	(48%)
Operation and maintenance - plant	22,637	17,098	5,539	32%
Depreciation expense	22,355	20,443	1,912	9%
Scholarship and fellowship	15,641	19,574	(3,933)	(20%)
Auxiliary activities	53,141	34,643	18,498	53%
Total operating expenses	233,397	222,771	10,626	5%
Operating loss	(150,252)	(141,567)	(8,685)	(6%)
Net non-operating revenues	139,845	145,327 *	(5,482)	(4%)
Increase (decrease) before other revenues, expenses, gains or losses	(10,407)	3,760	(14,167)	(377%)
Net other revenues	11,923	10,908	1,015	9%
Increase in net position	1,516	14,668	(13,152)	(90%)
Net position - beginning of the year	221,679	187,361	34,318	18%
Beginning net position adjusted	(10,077)	-	(10,077)	
Net position - end of year	\$ 213,118	\$ 202,029 *	\$ 11,089	5%

During fiscal year 2024, the APA identified a prior period adjustment related to appropriations available and state appropriations. As a result, Other Net non-operating revenues for fiscal year 2023 were restated to reflect a decrease of \$19.7 million that was previously reported. This adjustment reduced the beginning net position for 2023, as shown with an asterisk (*) next to the affected amounts on the Statement of Changes in

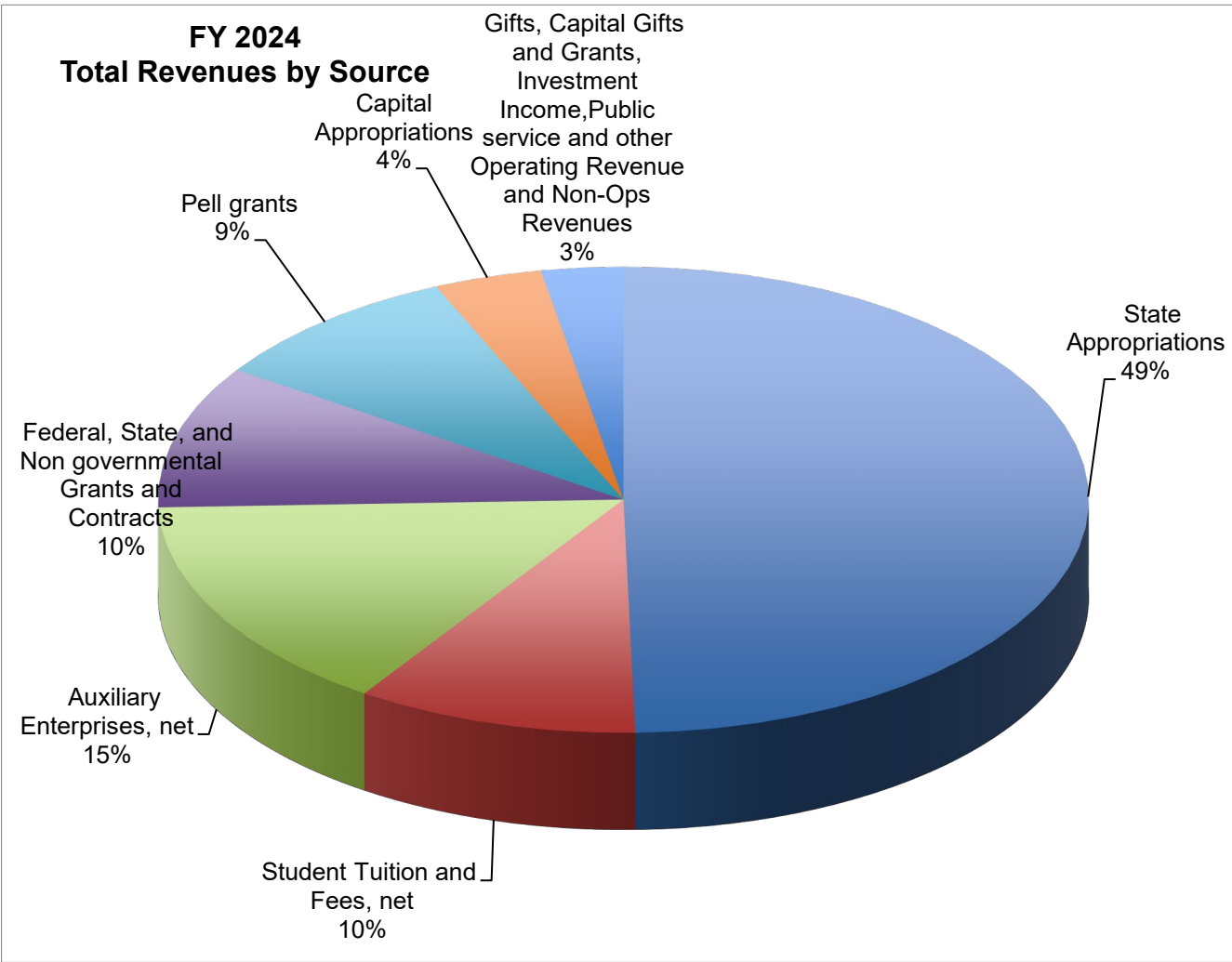
NORFOLK STATE UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

Revenue and Expenses in Net Position. In accordance with GASB Statement No. 100, this restatement is presented as a prior period adjustment.

The following is a graphic illustration of total revenues by source (both operating and non-operating) used to fund the University's activities for the year ended June 30, 2024. Critical recurring revenue sources such as state appropriations, Pell grants, capital bond proceeds, and capital gifts and grants are considered non-operating.

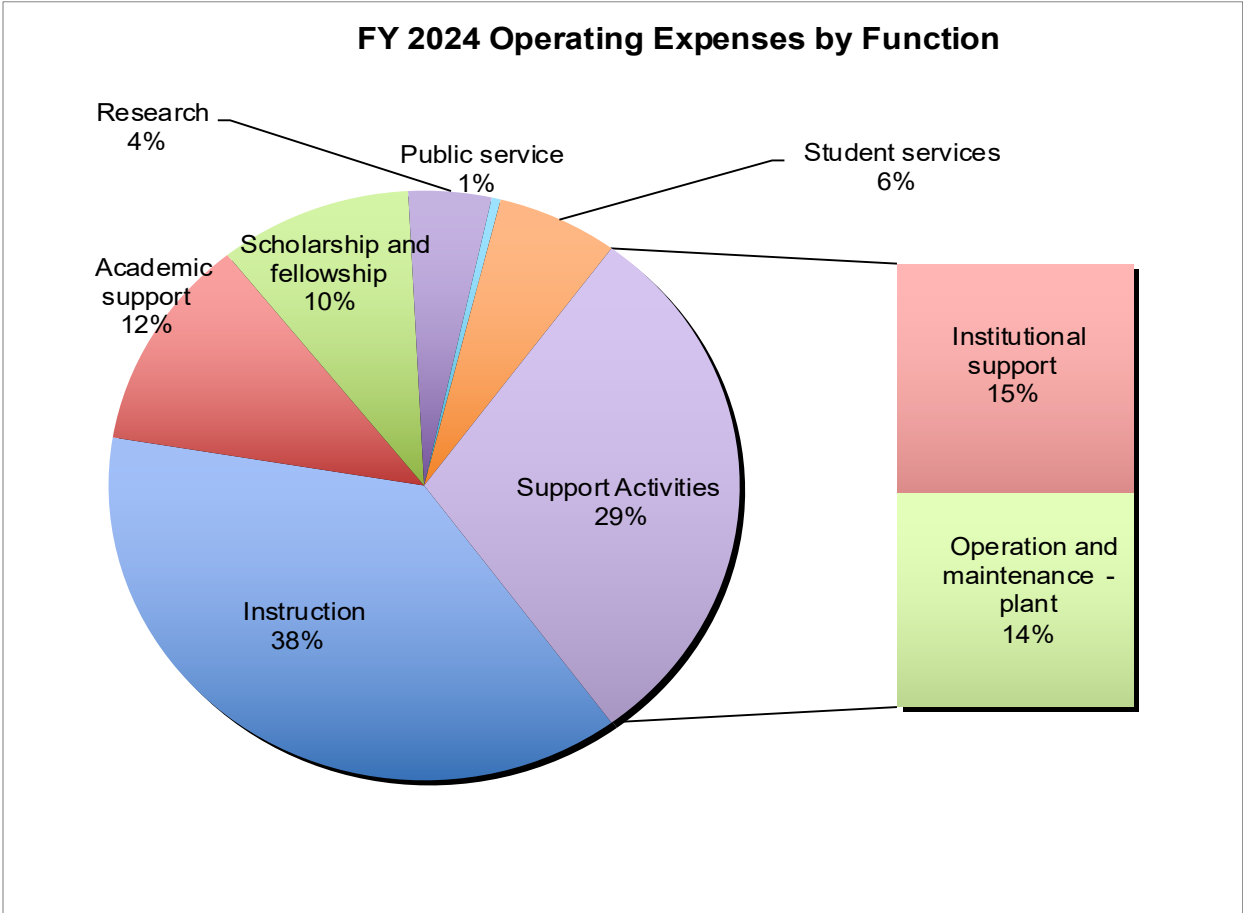
Operating revenues primarily consist of tuition and fees, auxiliary enterprises and revenues from grants and contracts. Overall operating revenues increased by \$1.9 million or 2% primarily due to an increase in sponsored programs including federal, state and non-governmental grants and contracts, and increases in auxiliary enterprises revenues.



NORFOLK STATE UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

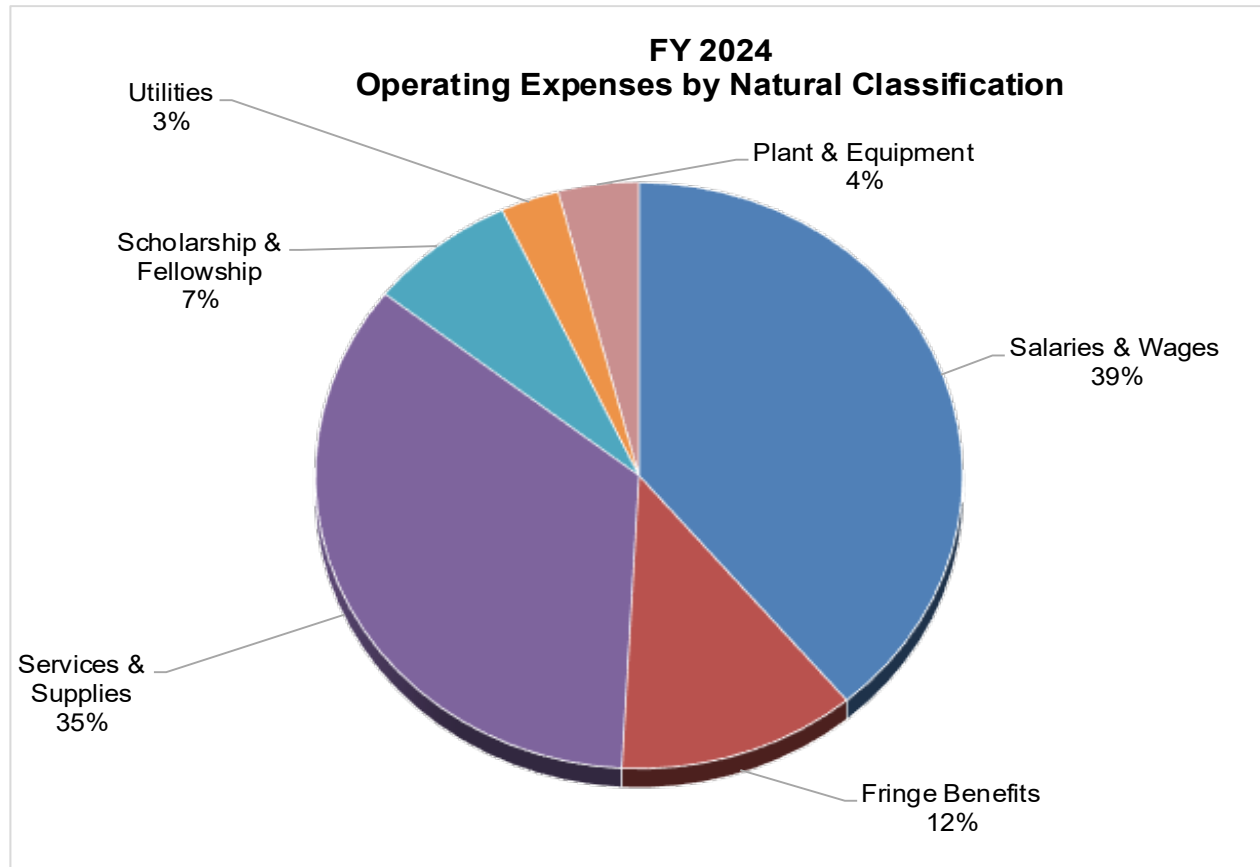
The following is a graphic illustration of operating expenses for fiscal year 2024.



NORFOLK STATE UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024



Total operating expenses increased by \$10.6 million or 5%. Instruction increased by \$5.6 million, mainly due to increases in sponsored program-funded expenses. New research projects attributed to the increase of \$1.4 million in research expenses. Student services expenses increased by \$2.4 million, mainly due to increases in student programs, including student orientation and student intern programs. Institutional support expenses decreased by \$22.7 million, mainly due to the closure of the HEERF grants. Operation and Maintenance increased \$5.5 million due to campus maintenance and repairs, and utilities. Scholarship and fellowship expenses decreased by \$3.9 million or 20% mainly due to the decrease of expenses funded from the American Rescue Plan (ARP) Act State and Local Recovery Funds for Higher Education. Auxiliary activities increased by \$18.5 million, mainly due to increases in expenses related to deferred maintenance and repairs on auxiliary facilities, residence halls, and food services.

Net non-operating revenues decreased by \$5.5 million or 4% mainly due to a decrease in coronavirus funding of \$36.9 million netted against increases in state appropriations of \$9.2 million and Pell grants of \$3.4 million. Net other revenues increased by \$1.0 or 9% mainly due to the increase in the equipment trust capital reimbursements.

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the institution's cash activity during the year. Operating cash flows show the net cash used by the operating activities of the University. Significant sources of cash include student tuition and fees

NORFOLK STATE UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

(\$22.6 million), grants and contracts (\$21.8 million), and auxiliary enterprises receipts (\$35.3 million). Major uses of cash include payments for salaries, wages, and fringe benefits (\$111.8 million), payments for scholarships and fellowships (\$15.6 million), payments for services and supplies (\$67 million) and payments for non-capitalized plant improvements and equipment (\$8.5 million).

The next section reflects the cash flows from non-capital financial activities and includes state appropriations for the University's educational and general programs and financial aid (\$112 million), Pell grants (\$21.4 million) and coronavirus relief funding (\$10.7 million). The cash flows from capital financing activities section reflect cash used for capital and related items. Primary sources of cash are proceeds from capital gifts and appropriation (\$12.1 million). Significant cash outflows include the purchase of capital assets (\$18.4 million), repayment of principal on capital related debt (\$6.8 million), and interest paid on capital debt (\$3 million). Cash flows from investing activities include interest from investments of \$375,418. The final section of the cash flow statement reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenue, Expenses, and Changes in Net Position.

Summary Statement of Cash Flows (amounts in thousands)

	As of June 30,		Increase/(Decrease)	
	2024	2023	Amount	Percent
Cash flows from operating activities	\$ (127,528)	\$ (131,772)	\$ 4,244	(3.2%)
Cash flows from noncapital				
financing activities	146,734	148,137	(1,403)	(0.9%)
Cash flows from capital financing activities	(16,155)	(21,365)	5,210	(24.4%)
Cash flows from investing activities	375	247	128	51.8%
Net change in cash	<u>\$ 3,426</u>	<u>\$ (4,753)</u>	<u>\$ 8,179</u>	<u>(172.1%)</u>

Capital Asset and Debt Administration

One of the key factors in maintaining the high-quality academic, research, and residence life functions is investment and renewal of the University's capital assets. The University continues to sustain and upgrade current facilities as well as pursue funding opportunities for renewal and replacement, and purchase of additional equipment and facilities. The University continues to maintain and upgrade current structures across campus and have completed \$3.4 million of building and infrastructure improvement projects during fiscal year 2024.

The University's total long-term debt, excluding the current portion, decreased to \$70.7 million in 2024 from \$77.1 million in 2023. The University's Debt Management Policy requires annual debt service as a percentage of total operating expenses to remain below seven percent. The University's 2024 ratio was 3.77 percent compared to 3.29 percent in 2023. This ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives. The Debt Management Policy also requires the debt service coverage ratio to be at least twice as large as the annual debt service. The ratio is intended to ensure operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income. The University's 2024 debt service coverage ratio was 2.71 compared to 7.47 in 2023.

Overall, unpaid construction and other related contractual commitments on capital projects increased from \$7.4 million in 2023 to \$12.5 million in 2024. Construction in progress totaled \$12.4 million as of June 30, 2024. Further information relating to capital assets, construction, and capital debt is included in the Notes to the Financial Statement in notes 4, 7 and 10.

NORFOLK STATE UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2024

Economic Outlook

As one of Virginia's comprehensive higher education institutions, the University's economic outlook is closely tied to the Commonwealth of Virginia (Commonwealth). Economic factors related to the Commonwealth can be found in the Commonwealth's Annual Comprehensive Financial Report (ACFR). There is a direct correlation between the amount of state appropriations and establishment of tuition and fees. As such, tuition and fee rates are largely dependent upon ongoing financial support from the state government. State appropriations currently cover 74.63% of operating expenses, excluding auxiliary activities and depreciation and amortization.

The University's financial position remains strong with net position of \$213.1 million for the 2024 fiscal year. Management continues to evaluate and review current policies and procedures in an effort to enhance operational efficiency and fiscal stability while providing excellent services to its students and constituents. Resources will continue to be closely monitored to ensure the University's ability to counter unknown internal and external issues.

NORFOLK STATE UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2024

	Norfolk State University	Component Units
Current assets:		
Cash and cash equivalents (Note 2)	\$ 48,783,522	\$ 6,387,006
Cash held for securities lending (Note 2)	2,822,718	-
Restricted cash and cash equivalents	-	1,904,747
Appropriation Available	15,598,243	-
Investments	-	50,000
Accounts receivable, net of allowance for doubtful accounts of \$1,152,794 (Note 3)	6,631,516	43,693
Contributions receivable	-	2,978,547
Due from the Commonwealth	1,526,840	-
Prepaid expenses	4,194,712	27,967
Notes receivable	47,746	-
Other assets	-	209,605
Total current assets	79,605,297	11,601,565
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	2,061,588	2,681,266
Appropriation Available	8,905,108	-
Restricted other postemployment benefits asset (Note 12)	2,649,587	-
Investments (Note 2)	-	97,618,218
Contributions receivable, net of allowance for uncollectible contributions of \$50,068 (Note 3)	-	4,038,388
Notes receivable, net of allowance for doubtful accounts of \$498,572 (Note 3)	9,887	-
Nondepreciable capital assets (Note 4)	18,312,025	2,674,929
Other capital assets, net (Note 4)	271,928,220	18,797,642
Total noncurrent assets	303,866,415	125,810,443
Total Assets	383,471,712	137,412,008
Deferred outflows:		
Deferred outflows - loss on refunding	59,271	-
Deferred outflows - pension (Note 11)	12,857,085	-
Deferred outflows - other postemployment benefits (Note 12)	2,971,410	-
Total Deferred outflows	15,887,766	-
Total Assets and deferred outflows	\$ 399,359,478	\$ 137,412,008
Current liabilities:		
Accounts payable and accrued expenses (Note 5)	\$ 26,158,857	\$ 2,959,243
Unearned revenue	4,024,880	11,324
Obligations under securities lending	2,822,718	-
Deposits held in custody for others	3,366,709	-
Long-term liabilities - current portion (Note 6)	8,280,178	1,429,460
Other postemployment benefits obligation (Note 12)	241,494	-
Total current liabilities	44,894,836	4,400,027
Noncurrent liabilities:		
Long-term debt (Note 6)	70,650,285	21,819,007
Other noncurrent liabilities (Note 6)	2,349,988	11,505
Net pension liability (Note 11)	46,390,726	-
Other postemployment benefits obligation (Note 12)	12,184,005	-
Total noncurrent liabilities	131,575,004	21,830,512
Total Liabilities	176,469,840	26,230,539
Deferred inflows:		
Deferred inflows - gain on refunding	491,106	-
Deferred inflows - pension (Note 11)	4,640,694	-
Deferred inflows - other postemployment benefits (Note 12)	4,639,647	-
Total Deferred inflows	9,771,447	-
Total Liabilities and deferred inflows	186,241,287	26,230,539
Net position:		
Net investment in capital assets	211,700,905	(1,658,316)
Restricted for:		
Nonexpendable	-	20,921,481
Expendable	-	-
Net other postemployment benefits - VSDP (Note 12)	2,660,784	-
Scholarships, capital projects and other	15,649,366	-
Temporarily restricted	-	44,232,987
Unrestricted	(16,892,863)	47,685,317
Total Net Position	\$ 213,118,192	\$ 111,181,469

NORFOLK STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2024

	Norfolk State University	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$29,685,074	\$ 23,278,759	\$ -
Federal grants and contracts	19,532,437	-
State grants and contracts	1,766,088	-
Nongovernmental grants and contracts	2,293,476	-
Public service	149,437	-
Auxiliary enterprises, net of scholarship allowances of \$29,830,500	35,832,962	-
Other operating revenues	292,257	6,530,854
Total operating revenues	<u>83,145,416</u>	<u>6,530,854</u>
Operating expenses:		
Instruction	59,578,425	-
Research	6,710,594	-
Public service	727,389	-
Academic support	18,441,548	-
Student services	9,819,503	-
Institutional support	24,345,382	10,547,411
Operation and maintenance - plant	22,637,334	903,370
Depreciation and amortization expense (Note 4)	22,354,506	946,655
Scholarship and fellowship	15,641,179	2,996,381
Auxiliary activities	53,140,684	-
Total operating expenses (Note 8)	<u>233,396,544</u>	<u>15,393,817</u>
Operating loss	<u>(150,251,128)</u>	<u>(8,862,963)</u>
Non-operating revenues (expenses):		
State appropriations (Note 9)	117,848,141	-
Investment income net of investment expense	375,418	2,304,567
Realized/unrealized gain on investments	-	8,532,843
Unrealized gain on interest rate swap	-	(48,962)
Interest on capital asset - related debt	(2,423,594)	1,531,335
Gifts	2,949,613	6,647,141
Pell grants	21,400,316	-
Other non-operating revenues (expenses)	(304,825)	-
Net non-operating revenues	<u>139,845,069</u>	<u>18,966,924</u>
Increase (decrease) before other revenues, expenses, gains or losses	<u>(10,406,059)</u>	<u>10,103,961</u>
Capital appropriations (Note 9)	8,926,680	-
Capital gifts (Note 9)	2,996,188	-
Contributions to permanently restricted endowments	-	1,513,010
Net other revenues	<u>11,922,868</u>	<u>1,513,010</u>
Increase in net position	1,516,809	11,616,971
Net position - beginning of the year	221,678,671	99,564,498
Beginning net position adjusted (Note 17)	<u>(10,077,289)</u>	<u>-</u>
Net position - end of year	<u>\$ 213,118,191</u>	<u>\$ 111,181,469</u>

The accompanying notes are an integral part of these financial statements.

NORFOLK STATE UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

Cash flows from operating activities:

Student tuition and fees	\$ 22,624,296
Grants and contracts	21,787,306
Public service	149,437
Auxiliary enterprises	35,272,515
Other receipts	1,069,125
Payments to employees	(82,321,623)
Payments for fringe benefits	(29,466,676)
Payments for services and supplies	(66,993,141)
Payments for utilities	(6,181,447)
Payments scholarships and fellowships	(15,641,179)
Payments for non-capitalized plant improvements and equipment	(8,487,100)
Collections of loans from students	5,401,919
Loans issued to students	(5,311,621)
Custodial receipts	(1,058,037)
Custodial payments	1,627,998
Direct lending receipts	39,383,229
Direct lending payments	(39,383,229)
Net cash used in operating activities	<u>(127,528,228)</u>

Cash flows from non-capital financing activities:

State appropriations	111,951,349
Gifts and grants for other than capital purposes	2,949,613
Pell grant receipts	21,400,316
Coronavirus relief funding	10,737,208
Other non-operating expenses	(304,825)
Net cash provided by non-capital financing activities	<u>146,733,661</u>

Cash flows from capital financing activities:

Capital gifts	2,996,188
Proceeds from capital appropriation	9,095,651
Purchase of capital assets	(18,392,887)
Principal paid on capital debt, SBITAs, leases and installments	(6,806,904)
Interest paid on capital debt, SBITAs, leases and installments	(3,047,045)
Net cash used in capital financing activities	<u>(16,154,997)</u>

Cash flows from investing activities:

Interest on investments	<u>375,418</u>
Net cash provided by investing activities	<u>375,418</u>

Net increase in cash and cash equivalents	3,425,854
Cash and cash equivalents - beginning of year	<u>47,419,256</u>
Cash and cash equivalents - end of year	<u>\$ 50,845,110</u>

The accompanying notes are an integral part of these financial statements.

NORFOLK STATE UNIVERSITY
STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

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

Operating loss	\$ (150,251,128)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	22,354,506
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Receivables, net	(1,931,663)
Notes receivable, net	90,298
Prepaid expenses	(540,296)
Restricted other postemployment benefits asset	(168,712)
Deferred outflows of resources - pension	(3,713,530)
Deferred outflows of resources - opeb	39,405
Accounts payable and accrued expenses	7,547,630
Unearned revenue	(311,076)
Accrued compensated absences	7,815
Deposits held in custody for others	569,961
Net pension liability	5,069,532
Other postemployment benefits obligation	(197,157)
Deferred inflows of resources - pension	(4,195,426)
Deferred inflows of resources - opeb	(1,898,387)
Net cash used in operating activities	<u>\$ (127,528,228)</u>

Non-cash investing, capital and financing activities:

Amortization of deferred net gain on defeased bonds	\$ 49,607
Amortization of deferred loss on defeased bonds	\$ (7,258)
Amortization of bond discount	\$ (3,036)
Amortization of bond premium	\$ 580,626
SBITA liability assumed related to right to use subscription assets	\$ 1,787,032
Lease liability assumed related to right to use lease assets	\$ 801,409
Change in pension and OPEB liability recognized as a component of non-operating revenue	\$ 887,092
Capital project accounts payable	\$ 440,965

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The Norfolk State University Foundation, Inc. and Subsidiary, the Athletics Foundation of Norfolk State University, Inc. and the Norfolk State University Research and Innovation Foundation and Affiliates meet criteria under GASB Statement No. 14, as amended by GASB Statements 39 and 61, qualifying them as component units of the University.

The Norfolk State University Foundation, Inc. and its wholly-owned subsidiary, Marshall Avenue Properties, Inc., is a legally separate, not-for-profit organization established to provide financial support to Norfolk State University.

The Athletics Foundation of Norfolk State University, Inc. is a legally separate, not-for-profit charitable organization governed by a local Board of Directors dedicated to raising funds for the benefit, scholarship, and educational needs of students attending and participating in athletic programs at Norfolk State University.

The Norfolk State University Research and Innovation Foundation and Affiliates (formerly Enterprise and Empowerment Foundation of Norfolk State University and Affiliates) is a legally separate, not-for-profit charitable organization governed by a Board of Directors dedicated to raising funds for a development called the Marie V. McDemmond Center for Applied Research. The development is organized around a public private partnership and is designed to create a digital village that acts as a hub for the Hampton Roads region’s technology-led economic development agenda.

Complete financial statements for the component units can be obtained by writing the Assistant Vice President for Advancement/Fiscal Officer for Foundations, Norfolk State University Foundation, c/o University Advancement, 700 Park Avenue, Suite 410, Norfolk, Virginia, 23504.

Although the University does not control the timing or amount of receipts from the foundations, the majority of resources or income thereon that the foundations hold and invest is restricted to the activities of the University by the donors. These restricted resources held by the foundations can only be used by, or for the benefit of the University. Therefore, the foundations are considered component units of the University and are discretely presented in the financial statements.

During the year ended June 30, 2024, the Norfolk State University Foundation, Inc. and the Athletics Foundation of Norfolk State, Inc. made distributions of \$2,600,220 and \$349,393, respectively, to or on behalf of the University for both restricted and unrestricted purposes.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Norfolk State University prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. As a public institution, the University adheres to standards promulgated by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government* and GASB Statement 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The University follows Statement 34 and 35 requirements for “reporting by special purpose governments engaged only in business-type activities.” The financial statement presentation provides a comprehensive entity-wide look at the University’s financial activities.

During the year ended June 30, 2024, the following GASB Statements became effective: Statement No. 99, *Omnibus 2022*, only paragraphs 4 to 10 and Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*.

Statement No. 99, *Omnibus 2022*, Paragraphs 4 to 10, did not have a material impact on the University for the year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Accounting changes are changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. Error corrections consist of mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued. This statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods as well as disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature.

The implementation of Implementation Guide 2021-1, question 5.1, which addresses the bulk purchase of assets below capitalization thresholds, resulted in increases of capital assets by \$18.3 million and accumulated depreciation by \$8.8 million. The amounts are included in the beginning balance adjustment (FN17) and current year additions (FN4).

The foundations are private, non-profit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. Reclassifications have been made to convert the foundations’ financial information to GASB format. The foundation statements and subsequent notes comply with the GASB presentation format.

C. Basis of Accounting

The University’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Bond premiums and discounts are deferred and amortized over the life of the debt. All significant intra-

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

agency transactions have been eliminated. The University's accounting policies conform to generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements.

D. Cash and Cash Equivalents

In accordance with the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

E. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, modified by GASB Statement 59, *Financial Instruments Omnibus* and GASB Statement 72, *Fair Value Measurement*, purchased investments, interest bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

F. Prepaid Expenses

As of June 30, 2024, the University's prepaid expenses included items such as, advertising, software license renewal, insurance, and publication subscriptions, which include initial and renewal annual subscriptions for technical and professional publications. The University recognizes prepaids when purchased and expenses when used.

G. Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts. The direct method of writing off receivables is used throughout the year. At year end, an allowance for doubtful accounts is established based on historical experience.

H. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, intangible assets, and computer network cabling systems, and right-to-use lease assets. The University generally defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost.

Library materials are valued using cost of the library acquisitions. Donated capital assets are recorded at acquisition value at the date of contribution. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. The University also includes any software development projects in excess of \$100,000 as an intangible asset capitalizable under GASB 51.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The University maintains a perpetual inventory of all assets and conducts physical inventory counts every year. Every asset is subject to being counted at least once every other year.

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

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

The assets are right to use assets for leased equipment. The related leases are discussed in the Leases subsection of the Liabilities section of Footnote 7. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases. Amortization is not allocated to the functional expense categories. Amortization expense is combined with depreciation expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Right-to-use subscription assets are defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction, and are initially measured as the sum of the following:

- The initial subscription liability amount
- Payments made to the vendor before commencement of the subscription term
- Capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the subscription term.

The related subscription-based technology arrangements are discussed in the Subscription subsection of the Liabilities section of Footnote 7. Right-to-use subscription assets are amortized on a straight-line basis over the subscription term. Amortization is not allocated to the functional expense categories. Amortization expense is combined with depreciation expense in the Statement of Revenues, Expenses, and Changes in Net Position.

The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. The University has reviewed its capital assets for impairment using criteria set forth in GASB 42, *Impairment of Capital Assets*, and has no impaired assets at year end.

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

Buildings - 30 years
Other improvements and infrastructure - 8 to 25 years
Equipment - 4 to 25 years
Library materials - 5 years
Intangible assets - 3 to 5 years

The University's art collections are held for public exhibitions, education, and research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to University policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection. Since these conditions exist and historical cost data for the

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collections are not available; in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

The University capitalizes equipment whose individual acquisition costs are less than \$5,000 but combined are \$5,000 or above.

I. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or replacement reserve funds, or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Position.

J. Unearned Revenue

Unearned revenue represents monies received but not earned as of June 30, 2024. This primarily includes amounts received for tuition and fees and certain auxiliary activities in advance of the academic term as well as advance payments on grants and contracts that have not been spent or earned before the end of the fiscal year.

K. Accrued Compensated Absences

The amount of leave earned, but not taken by non-faculty salaried employees, is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, 2024, all unused vacation leave, sabbatical leave, and 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. Note when terminated, employees under the traditional plan are paid 25% of their accrued sick leave up to \$5,000 per person, whereas employees who have moved from the traditional plan to the VSDP plan had their sick leave roll into the disability category, and these employees, upon termination, can choose to be paid from the disability pool up to \$5,000 per person, or they can roll the amounts due to them into their VRS plan.

L. Non-current Liabilities

Non-current liabilities include principal amounts of bonds payable, notes payable with contractual maturities greater than one year, estimated amounts for accrued compensated absences that will not be paid within the next fiscal year, liabilities associated with the right-to-use assets, the University's proportionate share of the Virginia Retirement System (VRS) State Employee Retirement Plan and Virginia Law Officers' System (VaLORS) net pension liability, and the University's proportionate share of the VRS and Department of Human Resources Management (DHRM) OPEB obligations.

M. Federal Financial Assistance Programs

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

N. Deferred Outflows of Resources

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

O. Deferred Inflows of Resources

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

P. Net Position

GASB standards require the classification of net position into three components: net investment in capital assets, amounts that are restricted and amounts that are unrestricted. These classifications are defined as follows:

Net investment in Capital Assets – component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Net Position:

Nonexpendable – represents endowment and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal; is to be maintained in perpetuity.

Expendable – represents funds that have been received for specific purposes and the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position – represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises.

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

Q. Revenue and Expense Classifications

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9 and GASB Statement 34, such as state appropriations and investment and interest income.

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

R. Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

S. Pension Obligation

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

Investments are reported at fair value. See Note 11 for general information about the pension plans and calculation of the net pension liability.

T. Other Postemployment Benefits (OPEB)

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the Commonwealth and administered by the Department of Human Resources Management (DHRM). See Note 12 for general information about the OPEB plans and calculation of the OPEB liability. Descriptions of these plans are as follows:

Group Life Insurance

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS.

In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VRS Disability Insurance Program

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

State Employee Health Insurance Credit Program

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

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pre-Medicare Retiree Healthcare Plan

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

U. Related Party Lease Arrangement

Norfolk State University (The University) entered into a lease agreement with the Norfolk State University Foundation, a related party as defined by GASB Codification Section L20, 188, for the use of a building owned by the Norfolk State University Foundation. The Norfolk State University Foundation's primary purpose is to support NSU's educational mission.

The University has several \$1 leases with the Norfolk State University Foundation that are paid annually. These leases include the Alumni House and Six Parcels located in the city of Norfolk ("Shepherds Village") property. At the end of the lease term, the University has the option to purchase for \$1. The substance and terms of this arrangement are not consistent with market-based lease transactions and reflect the Norfolk State University Foundation's support of the University for the year ending June 30, 2024.

Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS

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®). This program offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for bond proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP® complies with all standards of GASB Statement 79. SNAP® investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value. Cash and cash

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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.

Deposits with banks are covered by the FDIC and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”). Under the Act, banks and saving institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

A. Securities Lending Transactions

GASB Statement 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for security lending transactions. Cash equivalents held by the Treasurer of Virginia represent the University’s allocated share of cash collateral received and reinvested and securities received for the State Treasury’s securities lending program. Information related to the credit risk of these investments and the State Treasury’s securities lending program is available on a statewide level in the Commonwealth of Virginia’s Annual Comprehensive Financial Report. The Commonwealth’s policy is to record unrealized gains and losses in the General Fund in the Commonwealth’s basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. As of June 30, 2024, the University’s share of the securities lending transactions held by the Treasurer of Virginia is \$2,822,718.

B. Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board’s Audit and Finance Committee. Authorized investments are set forth in the Investment of Public Funds Act of the Code of Virginia, Sections 2.2-4500 through 2.2-4518. Authorized investments include Certificates of Deposit, Commercial Paper, Bankers Acceptances, Repurchase Agreements, Agency Notes and Bonds, Treasury Bills, and Mutual Funds.

GASB Statement 40, *Deposit and Investment Risk Disclosures*, requires the following risk disclosures:

Concentration of Credit Risk – Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents 5% or more of total investments. As of June 30, 2024, none of the University’s investments involves concentration of credit risk.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This Statement requires the disclosure of the credit quality ratings of all investments subject to credit risk. Credit ratings on cash equivalents as of June 30, 2024, are shown below.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the counterparty, the University would not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. All investments are registered and held in the name of the University and, therefore, the University does not have this risk.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University limits its exposure to interest rate risk by limiting the maximum maturity lengths of investments and structuring the portfolio to maintain adequate liquidity to ensure the University's ability to meet its operating requirements.

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

Norfolk State University and the Norfolk State University Foundation follow accounting standards on fair value measurements, which define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statements.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The valuation method is determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amount that may be ultimately realized.

	<u>Amount</u>	<u>0-3 months</u>	<u>Credit Rating</u>
Cash equivalents:			
Money market funds ⁽¹⁾	\$ 982,390	\$ 982,390	A-1
SNAP ⁽²⁾	1,701,410	1,701,410	AAAm
Totals	<u>\$ 2,683,800</u>	<u>\$ 2,683,800</u>	

⁽¹⁾The University invests certain short-term cash balances held within its accounts in money market funds. The funds are reported at amortized cost, which approximates fair value.

⁽²⁾SNAP investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

The Norfolk State University Foundation's investments are managed by external investment managers in compliance with investments guidelines established by the Board of Directors. Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of cash, investments, and promises to give receivable. The Foundation places unrestricted cash and temporary

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

overnight investments with high credit quality financial institutions. At times the balances may exceed the FDIC insurable limit.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As of December 31, 2023, the Norfolk State University Foundation held the following investments carried at fair value and listed by the valuation hierarchy defined above:

NSU Foundation					
<u>Investments (at fair value):</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>	
Cash held for investment	\$ 43,988	\$ -	\$ -	\$ 43,988	
Money market funds	10,605,787	-	-	10,605,787	
Split-interest agreements	133,117	-	-	133,117	
Stocks and mutual funds	77,534,278	-	-	77,534,278	
	<u>\$ 88,317,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,317,170</u>	
Promises to give, net	-	-	6,611,341	\$ 6,611,341	
Split-interest agreement liability	-	-	(129,085)	\$ (129,085)	
	<u>\$ 88,317,170</u>	<u>\$ -</u>	<u>\$ 6,482,256</u>	<u>\$ 94,799,426</u>	
Investments in private investment companies at net asset value (a)				8,618,911	
Total Fair Value				<u>\$ 103,418,337</u>	

(a) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified 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 statement of net position.

Note 3—ACCOUNTS RECEIVABLE & NOTES RECEIVABLE

Accounts receivable consisted of the following at June 30, 2024:

Student tuition and fees	\$ 3,177,028
Federal, state and nongovernmental grants and contracts	3,795,206
Other receivables	812,076
Total accounts receivables	<u>7,784,310</u>
Less allowance for doubtful accounts	<u>(1,152,794)</u>
Net accounts receivable	<u>\$ 6,631,516</u>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—ACCOUNTS RECEIVABLE & NOTES RECEIVABLE (CONTINUED)

Notes receivable consisted of the following at June 30, 2024:

Current notes receivables:

Virginia State Student loan program	\$	23,770
Other short-term loans		23,976
Total current notes receivable	\$	47,746

Noncurrent notes receivables:

Virginia State Student loan program		508,459
Total noncurrent notes receivable		508,459
Less allowance for doubtful accounts		(498,572)
Net noncurrent notes receivables	\$	9,887

Contributions Receivable – Component Units

Pledges receivable represent pledges made by individuals, corporations, and organizations for various purposes. The following details the timing of expected receipts on pledges receivable at December 31, 2023 for Norfolk State University Foundation and at June 30, 2024 for Norfolk State University Research and Innovation Foundation and Affiliates.

	Norfolk State University Foundation Inc.	University Research and Innovation Foundation and Affiliates	Total
Contributions currently due	\$ 2,888,415	\$ 90,132	\$ 2,978,547
Contributions due in one to five years	3,834,899	315,462	4,150,361
Contributions due in more than five years	364,865	-	364,865
Total contribution receivables	7,088,179	405,594	7,493,773
Less - time value discount	(426,781)	-	(426,781)
Less - allowance for uncollectible accounts	(50,057)	-	(50,057)
Net contributions receivable	\$ 6,611,341	\$ 405,594	\$ 7,016,935

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 4—CAPITAL ASSETS

A summary of changes in the various capital asset categories and right-to-use assets for the year ended June 30, 2024, is presented as follows:

	Beginning Balance		Ending Balance	
	July 1, 2023	Additions	Deletions	June 30, 2024
Nondepreciable capital assets:				
Land	\$ 5,941,099	\$ -	\$ -	\$ 5,941,099
Construction in progress	11,626,588	4,118,503	3,374,165	12,370,926
Total nondepreciable capital assets	17,567,687	4,118,503	3,374,165	18,312,025
Other capital assets:				
Buildings	445,537,873	-	-	445,537,873
Infrastructure	9,428,539	187,830	-	9,616,369
Equipment*	76,390,028	16,682,613	-	93,072,641
Other improvements	20,037,136	726,204	-	20,763,340
Software	2,641,323	-	-	2,641,323
Library materials	5,507,310	127,031	-	5,634,341
Right-to-use assets:				
Lease Equipment**	449,944	801,409	449,944	801,409
SBITA**	1,281,397	1,787,032	374,256	2,694,173
Total other capital assets	561,273,550	20,312,119	824,200	580,761,469
Less accumulated depreciation for:				
Buildings	220,513,502	13,924,547	-	234,438,049
Infrastructure	4,799,092	695,632	-	5,494,724
Equipment*	45,848,595	5,062,473	-	50,911,068
Other improvements	7,803,561	1,235,278	-	9,038,839
Software	2,061,280	144,413	-	2,205,693
Library materials	5,476,698	35,531	-	5,512,229
Less accumulated amortization for right-to-use assets:				
Lease Equipment**	287,309	236,363	449,944	73,728
SBITA**	542,547	990,628	374,256	1,158,919
Total accumulated depreciation and amortization	287,332,584	22,324,865	824,200	308,833,249
Other capital assets, net	273,940,966	(2,012,746)	-	271,928,220
Total capital assets, net	\$ 291,508,653	\$ 2,105,757	\$ 3,374,165	\$ 290,240,245

*Amounts have been restated to include bulk purchase equipment related to the implementation of Implementation Guide 2021-1, question 5.1.

**Beginning balances have been restated.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 4—CAPITAL ASSETS (CONTINUED)

	NSU Foundation Inc. as of December 31, 2023	The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2024	NSU Research and Innovation Foundation and Affiliates as of June 30, 2024	Total
Nondepreciable capital assets:				
Land	\$ 148,210	\$ -	\$ -	\$ 148,210
Construction in Progress	1,876,100	-	-	1,876,100
Development costs	-	-	650,619	650,619
Total nondepreciable capital assets	2,024,310	-	650,619	2,674,929
Other capital assets:				
Buildings	-	-	31,515,160	31,515,160
Equipment	1,187,491	-	4,489,370	5,676,861
Right-to-use lease assets:				
Operating Lease	-	-	-	-
Total other capital assets	1,187,491	-	36,004,530	37,192,021
Less accumulated depreciation	(851,592)	-	(17,542,787)	(18,394,379)
Less accumulated amortization	-	-	-	-
for right-to-use lease assets:	-	-	-	-
Total accumulated depreciation and amortization	(851,592)	-	(17,542,787)	(18,394,379)
Other capital assets, net	335,899	-	18,461,743	18,797,642
Total capital assets, net	\$ 2,360,209	\$ -	\$ 19,112,362	\$ 21,472,571

Note 5—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2024:

Vendors and suppliers accounts payable	\$ 16,134,505
Employee salaries, wages, and fringe benefits payable	9,001,626
Accrued interest payable	479,265
Retainage payable	110,301
Spartan Suites rent and scholarships	433,160
Total accounts payable and accrued liabilities	\$ 26,158,857

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 6—NON-CURRENT LIABILITIES

The University, Norfolk State University Research and Innovation Foundation and Affiliates and Norfolk State University Foundation, Inc.'s non-current liabilities consist of long-term debt (further described in Note 7), other non-current liabilities, and right-to-use lease and subscription liabilities. A summary of changes in non-current liabilities for the year ended June 30, 2024, is presented as follows:

University	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable 9c	\$ 52,535,000	\$ -	\$ 3,775,000	\$ 48,760,000	\$ 3,960,000
Notes payable	25,175,000	-	1,785,000	23,390,000	1,820,000
Installment purchases (Direct Borrowing)	374,448	-	248,300	126,148	126,148
Unamortized bond discount	(36,962)	-	(3,038)	(33,924)	(3,038)
Unamortized bond premium	5,472,422	-	580,626	4,891,796	580,625
Total long-term debt	83,519,908	-	6,385,888	77,134,020	6,483,735
Accrued compensated absences	2,626,594	325,679	1,124,431	1,827,842	1,124,437
Lease liability	166,720	801,409	221,439	746,690	70,726
Subscription liability*	1,281,397	1,787,032	1,496,530	1,571,899	601,280
Federal loan capital contributions	44,850	-	44,850	-	-
Total long-term liabilities	\$ 87,639,469	\$ 2,914,120	\$ 9,273,138	\$ 81,280,451	\$ 8,280,178

*Subscription Liability - The beginning balance has been restated.

Research and Innovation Foundation and Affiliates	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	\$ 25,080,000	\$ -	\$ 1,250,000	\$ 23,830,000	\$ 1,385,000
Unamortized debt issuance costs	(830,586)	75,508	-	(755,078)	-
Total long-term liabilities	\$ 24,249,414	\$ 75,508	\$ 1,250,000	\$ 23,074,922	\$ 1,385,000
Norfolk State University Foundation, Inc. and Subsidiary	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Long-term liabilities:					
Split-interest agreement*	\$ 227,737	\$ -	\$ 98,652	\$ 129,085	\$ -
Lease liability	103,746	-	47,781	55,965	44,460
Total long-term liabilities	\$ 331,483	\$ -	\$ 146,433	\$ 185,050	\$ 44,460

*Split-Interest Agreement - The beginning balance has been restated.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—LONG-TERM DEBT AND LIABILITIES

Norfolk State University has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9 (d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth, legally, morally, or otherwise. Pledged general revenues include general fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University 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) also issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue also secures these notes.

Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. On November 10, 2016, \$71,200,000 Commonwealth of Virginia General Obligation Bonds, Series 2016A were issued under Article X, Section 9(c) of the Constitution of Virginia for residence hall projects. The University's portion of the \$71,200,000 was \$7,875,000. Bonds of \$7,875,000 were issued at a premium of \$1,389,200 to finance the costs to renovate and upgrade various residence halls on campus. Debt payments began on June 1, 2017 and will mature on June 1, 2031. The interest rates charged are from 3.00% - 5.00% and the bond proceeds were deposited in the State Non-Arbitrage Program. As of June 30, 2024, \$4,470,000 in principal remains outstanding.

On August 14, 2018, the Commonwealth of Virginia closed on the sale of \$106,890,000 Commonwealth of Virginia General Obligation Bonds, Series 2018A (the "Bonds") issued under Article X, Section 9(c) of the Constitution of Virginia for projects authorized. The Bonds sold at a true interest cost of 2.8365% on July 25, 2018 and were issued to finance the cost of acquiring, construction and equipping revenue-producing capital projects at institutions of higher education of the Commonwealth. The University's portion of the \$106,890,000 was \$52,185,000. Bonds of \$52,185,000 were issued at a premium of \$6,984,626 on behalf of Norfolk State University to finance the cost to construct a new residential housing on campus. Debt payments began on December 1, 2018 and will mature on June 1, 2033. The interest rates charged are from 3.00% - 5.00% and the bond proceeds were deposited in the State Non-Arbitrage Program. As of June 30, 2024, \$37,420,000 in principal remains outstanding.

On April 14, 2021, the Treasury Board completed the sale of \$38,005,000 in General Obligation Refunding Bonds, Series 2021A and General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the "Bonds"). The Bonds closed on May 5, 2021. The sale of these bonds enabled the University to refund \$6,680,000 of debt outstanding on the Series 2016A and the Series 2018A bonds used for the Residence Hall Renovation and Residence Hall Construction projects. The interest rates on these bonds were at 5.000%. The refunding resulted in Series 2021A and Series 2021B being issued for a combined par value of \$6,870,000 and premium of \$224,787. The refunding will generate a cash flow savings of \$6,861,512 between fiscal years 2021 and 2023, and over the term of the bonds generates savings of \$-1,794,625. The overall net present value of the savings is \$-208,147, at discount rates of 1.3464% for 2021A and 2.0041% for 2021B. The refunding generated a deferred accounting gain of \$404,253. Principal and interest payments will be due annually beginning December 1, 2021 and ending June 1, 2035.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—LONG-TERM DEBT AND LIABILITIES (CONTINUED)

On February 9, 2021, the Virginia College Building Authority sold Educational Facilities Revenue Refunding Bonds (Public Higher Education Financing Program), Series 2021A and Series 2021B. The sale of these bonds enabled the University to refund \$6,450,000 of debt outstanding on the Student Center bonds Series 2010A bonds and the Series 2012A bonds, which had interest rates ranging from 2.750% to 5.000%. The refunding resulted in Series 2021A and Series 2021B being issued for a combined par value of \$6,675,000 and premium of \$238,516. The refunding will generate a cash flow savings of \$3,610,338 between fiscal years 2021 and 2023, and over the term of the bonds generates savings of \$-815,777. The overall net present value of the savings is \$-110,439, at discount rates of 1.1228% for 2021A and 1.7396% for 2021B. The 2021A refunding generated a deferred accounting loss of \$84,067, and the 2021B refunding generated an accounting gain of \$230,915. Principal and interest payments will be due annually beginning September 1, 2021 and ending September 1, 2037.

At June 30, 2024, installment purchases consist of the current and long-term portions of an obligation resulting from a contract used to finance the acquisition of equipment. The length of the purchase agreement is for five years, and the interest rate charged is 2.14%. On July 24, 2019 the University entered a five-year installment purchase through the Commonwealth of Virginia Master Equipment Lease Program for the synthetic turf at the William Price football stadium totaling \$1,200,895.00. As of June 30, 2024, the balance of \$126,148 of installment purchases from direct borrowings (from a lender) remains outstanding.

Lease Equipment Liability

Norfolk State University has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Laundry equipment lease executed in July 2023 requires 120 monthly payments of \$8,200. There are no variable payment components of the lease. As a result of the lease, Norfolk State University has recorded a right to use asset with a lease liability of \$623,637 on June 30, 2024.

Copy machine lease executed in March 2024 and requires 60 monthly payments of \$2,631. There are no variable payment components of the lease. As a result of the lease, Norfolk State University has recorded a right to use asset with a lease liability of \$123,053 at June 30, 2024.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—LONG-TERM DEBT AND LIABILITIES (CONTINUED)

Subscription Liability

Norfolk State University has certain contracts for information technology subscriptions, cloud-based software, and other functions in support of the University's operations that meet the requirements for GASB 96 recognition of a subscription liability. In most cases, the University purchases rights to use the subscriptions on a year-to-year basis as needed. The University's SBITAs typically range from 2 to 6 years. Discount rates for the subscriptions are 3.25%.

Certain SBITA contracts can contain provisions for variable payments based upon usage of the underlying assets or additional licenses. The contracts in the University's SBITA portfolio do not contain variable payments based upon usage of the underlying assets or additional licenses.

The University currently does not have any agreements with termination penalty clauses. The University found no conditions that required impairments or re-measurements to the subscription liabilities as of June 30, 2024.

The future minimum lease obligations and the net present value of these minimum lease and SBITA payments as of June 30, 2024 are included in the schedules below:

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—LONG-TERM DEBT AND LIABILITIES (CONTINUED)

Long-term debt matures as follows:

	<u>Interest Rates</u> (%)	<u>Maturity</u> <u>Fiscal Year End</u>	<u>Balance at</u> <u>June 30, 2024</u>
Bond payable:			
9C Debt Residential Halls Renovations			
Series 2016A	3.00 - 5.00	2031	\$ 4,470,000
Series 2021A refunding 2016A	3.00	2032	400,000
Series 2021B refunding 2016A	1.95	2033	520,000
9C Debt New Construction - New Res Hall			
Series 2018A	3.00 - 5.00	2033	37,420,000
Series 2021A refunding 2018A	2.00	2034	2,745,000
Series 2021B refunding 2018A	2.15	2035	3,205,000
Net bonds payable			<u>48,760,000</u>
Notes payable:			
Student Center			
Series 2010A-1	4.75 - 5.50	2031	8,385,000
Series 2021A refunding 2010A	2.00 - 3.00	2033	1,900,000
Series 2021B refunding 2012A	0.48 - 2.30	2038	4,035,000
Series 2014B	3.00 - 3.25	2036	9,070,000
Total notes payable			<u>23,390,000</u>
Less: unamortized discount			(33,924)
Add: unamortized premium			4,891,796
Net bonds payable and notes payable			<u>77,007,872</u>
Installments payable:			
Master equipment lease program	2.14	2020 - 2025	<u>126,148</u>
Net installments payable			<u>126,148</u>
Lease Equipment Liability			
Lease Equipment Liability	3.25	2025 - 2033	<u>746,690</u>
Net Lease Equipment Liability			<u>746,690</u>
Subscription Liability			
Subscription Liability	3.25	2025 - 2028	<u>1,571,899</u>
Net Subscription Liability			<u>1,571,899</u>
Total			<u>\$ 79,452,609</u>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—LONG-TERM DEBT AND LIABILITIES (CONTINUED)

Long-term debt and liabilities mature as follows:

Year ending:	Principal	Interest	Notes from Direct Borrowings	
			Principal	Interest
2025	\$ 5,780,000	\$ 2,767,841	\$ 126,148	\$ 1,350
2026	5,995,000	2,512,344	-	-
2027	5,895,000	2,241,204	-	-
2028	6,165,000	1,954,987	-	-
2029	7,070,000	1,641,576	-	-
2030-2034	33,750,000	3,675,503	-	-
2035-2038	7,495,000	273,365	-	-
Unamortized Premium	4,891,796	-	-	-
Unamortized Discount	(33,924)	-	-	-
Total	<u>\$ 77,007,872</u>	<u>\$ 15,066,820</u>	<u>\$ 126,148</u>	<u>\$ 1,350</u>

Lease Equipment Liability

2025	\$ 70,726	\$ 59,250
2026	76,846	53,131
2027	83,496	46,481
2028	90,721	39,256
2029	90,621	31,461
2030-2033	334,280	59,321
Total	<u>\$ 746,690</u>	<u>\$ 288,900</u>

Subscription Liability

2025	\$ 601,280	\$ 24,472
2026	477,929	10,274
2027	254,272	5,848
2028	238,418	2,830
Total	<u>\$ 1,571,899</u>	<u>\$ 43,424</u>

Norfolk State University Research and Innovation Foundation and Affiliates Debt

In February 2005, the Norfolk State University Research and Innovation Foundation and Affiliates Debt entered into an agreement to finance the construction of a 620-bed student housing facility. The terms of the agreement obligate the Foundation pursuant to \$32,000,000 Tax-Exempt Variable Rate Demand Qualified 501(c)(3) Bonds Series 2017 (Refinanced in 2018-Series 2005 in 2017), interest at 70% of LIBOR due monthly beginning February 1, 2018. The terms of the indenture call for varying annual maturities through July 1, 2034, with a variable interest rate determined based on the flexible weekly rate

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—LONG-TERM DEBT AND LIABILITIES (CONTINUED)

as determined by the remarketing agent; principal payments are due semiannually starting January 1, 2018. The terms of the agreement require a debt service coverage ratio of at least 1.2:1 beginning January

1, 2017. The interest rate was 5.92% at June 30, 2024. The balance due on this loan as of June 30, 2024 was \$23,830,000.

As of June 30, 2024, the Norfolk State University Research and Innovation Foundation and Affiliates bonds mature as follows:

Future principal payments are as follows:

2025	1,385,000
2026	1,540,000
2027	1,705,000
2028	1,880,000
2029	2,065,000
2030-2035	15,255,000
Total	<u>\$ 23,830,000</u>

The bonds payable bear interest at a variable interest rate based on the flexible weekly rate as determined by the remarketing agent. To minimize the effect of changes in the variable rate, the Foundation entered an interest rate swap contract with a notional amount of \$32,000,000 with a term of 29 years. The contract pays interest at a fixed 3.733% rate and receives interest at 67% of LIBOR. The 2005 swap contract was terminated in January 2018 resulting in cash proceeds of \$1,125,000 and a realized gain of \$1,624,076. A new swap contract was entered into in January 2018 with an original notional amount of \$29,465,000 with term of 16 years paying interest at a fixed 3.15% rate and receiving interest at 70% of LIBOR. The unrealized loss relating to the swaps as of June 30, 2024 was \$48,962.

In conjunction with the bond issuance, the University signed a support agreement with the Norfolk State University Research and Innovation Foundation and Affiliates stating that the project will be an equal part of the Student Housing Program, provide preferential treatment to provide 95% occupancy if the debt service coverage ratio is less than 1.2 to 1, and limit additional housing projects.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 8—EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries and Wages	Fringe Benefits	Services and Supplies	Scholarship and Fellowship	Utilities	Plant and Equipment	Depreciation and Amortization	Total
Instruction	\$ 34,471,891	\$ 10,786,236	\$ 7,167,837	\$ -	\$ -	\$ 7,152,461	\$ -	\$ 59,578,425
Research	2,074,413	308,244	4,102,421	-	-	225,516	-	6,710,594
Public service	459,273	119,208	143,264	-	-	5,644	-	727,389
Academic support	9,956,762	2,310,100	6,350,938	-	-	(176,252)	-	18,441,548
Student services	4,392,597	1,677,925	3,399,738	-	-	349,243	-	9,819,503
Institutional support	16,056,410	5,427,354	3,948,757	-	-	(1,087,139)	-	24,345,382
Operations and maintenance-plant	5,291,135	1,917,800	10,623,481	-	3,354,533	1,450,385	-	22,637,334
Depreciation and Amortization	-	-	-	-	-	-	22,354,506	22,354,506
Scholarship and fellowship	-	-	-	15,641,179	-	-	-	15,641,179
Auxiliary activities	9,416,071	2,641,533	37,688,924	-	2,826,914	567,242	-	53,140,684
Total operating expenses	\$ 82,118,552	\$ 25,188,400	\$ 73,425,360	\$ 15,641,179	\$ 6,181,447	\$ 8,487,100	\$ 22,354,506	\$ 233,396,544

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—STATE APPROPRIATIONS & CAPITAL APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements. The following is a summary of education and general state appropriations received by the University including all supplemental appropriations and reversions:

Original legislative state appropriation:	
Educational and general programs	\$ 78,273,131
Student financial assistance	28,826,164
Adjustments:	
VIVA ILL Allocation	3,865
Supplement in-state Student Fin Asst	1,250,000
FY 2024 Construction Dialogue	3,333
VA Military Survivors & Dependents	238,466
Two Yr College Transfer Grant	20,500
Pell Grant Initiative	325,860
Affordable Access	5,325,000
FY 2024 Central Appropriation	3,834,003
NSU Talent Tech	241,601
NSU interest earnings	412,340
Mandated Reappropriation of FY23 Reversions	19,650,214
Reversions to the General Fund	(20,556,336)
Adjusted state appropriation	<u>\$ 117,848,141</u>

The Commonwealth has established several programs to provide state-supported institutions for higher education with general funds, bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2024, funding was provided to the University from general funds, the 21st Century program and the Equipment Trust Fund, managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities.

The following is a summary of capital appropriation and gifts recognized by the University for year ended June 30, 2024:

VCBA 21 st Century program	\$ 3,023,787
9(C) Debt	150,610
General Fund Maintenance Reserve	5,283,981
Higher Education Operating	468,302
Total capital appropriations	<u>\$ 8,926,680</u>
VCBA Equipment Trust Fund program	\$ 2,996,188

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 10—COMMITMENTS

During fiscal year 2024, the University committed and spent \$8,758,729 on construction contracts. Outstanding commitments on these contracts totaled \$12,493,871 as of June 30, 2024.

The University is committed under various operating agreements for equipment and space. Those agreements that are long-term in nature and/or greater than \$50,000 in value are classified separately in accordance with GASB Statement No. 87 – Leases (See Note 6 and 7 for details). Otherwise, leases short-term in nature and/or less significant in value are recorded as outflows of resources in the period to which they pertain. Rental expense related to these types of lease agreements was approximately \$255,975 for the year ending June 30, 2024.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS

Virginia Retirement System - General Information about the Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none">• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment 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.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)		
<i>Plan Description</i>		
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Same as Plan 1.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Full-time permanent, salaried state employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED) <i>Plan Description</i>		
<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)		
<i>Plan Description</i>		
		<p>Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting 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.</p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)		
<i>Plan Description</i>		
		<ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1. <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)		
<i>Plan Description</i>		
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>VaLORS: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)		
<i>Plan Description</i>		
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>VaLORS: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)		
<i>Plan Description</i>		
<p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>	<p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage 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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>	<p>Disability Coverage 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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>	<p>Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)		
<i>Plan Description</i>		
VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2024, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rates which were based on actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Norfolk State University to the VRS State Employee Retirement Plan were \$6,919,602 and \$5,887,138 for the years ended June 30, 2024 and June 30, 2023, respectively. Contributions from Norfolk State University to the VaLORS Retirement Plan were \$420,671 and \$349,414 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$73.0 million to the VRS State plan and \$6.6 million to VaLORS. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and are classified as special employer contributions. Norfolk State University's proportionate share for the VRS State Employee Retirement Plan and for the VaLORS Retirement Plan are reflected in Other non-operating revenues line item on the Statement of Revenues, Expenses, and Changes in Net Position.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)

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

At June 30, 2024, Norfolk State University reported a liability of \$43,901,507 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$2,489,219 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. Norfolk State University's proportion of the Net Pension Liability was based on Norfolk State's actuarially determined employer contributions to the pension plans for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, Norfolk State University's proportion of the VRS State Employee Retirement Plan was .86767% as compared to .87185% at June 30, 2022. At June 30, 2023, Norfolk State University's proportion of the VaLORS Retirement Plan was .38478% as compared to .27692% at June 30, 2022.

For the year ended June 30, 2024, Norfolk State University recognized pension expense of \$3,855,798 for the VRS State Employee Retirement Plan and \$965,218 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2022, and June 30, 2023, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VRS Retirement Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,264,246	\$ 1,268,173
Net difference between projected and actual earnings on pension plan investments	-	3,072,516
Change in assumptions	579,966	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	323,476	193,958
Employer contributions subsequent to the measurement date	6,919,602	-
Total	<u>\$ 12,087,290</u>	<u>\$ 4,534,647</u>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)

VaLORS Retirement Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,990	\$ -
Net difference between projected and actual earnings on pension plan investments	-	106,047
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	294,134	-
Employer contributions subsequent to the measurement date	420,671	-
Total	<u>\$ 769,795</u>	<u>\$ 106,047</u>

Norfolk State University has \$6,919,602 for VRS and \$420,671 for VaLORS reported as deferred outflows of resources related to pensions resulting from Norfolk State University's contributions subsequent to the measurement date that will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

VRS Retirement Plan

FY 2025	\$ (628,773)
FY 2026	\$ (2,192,178)
FY 2027	\$ 3,342,854
FY 2028	\$ 111,139
FY 2029	\$ -

VaLORS Retirement Plan

FY 2025	\$ 270,926
FY 2026	\$ (133,289)
FY 2027	\$ 101,562
FY 2028	\$ 3,878
FY 2029	\$ -

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50 percent
Salary increases, including Inflation	3.50 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-retirement:

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

Post-retirement:

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

Post-disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree 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 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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2023, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 28,411,528	\$ 2,577,980
Plan Fiduciary Net Position	<u>23,351,827</u>	<u>1,931,061</u>
Employers' Net Pension Liability (Asset)	<u>\$ 5,059,701</u>	<u>\$ 646,919</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.19%	74.91%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00 %	6.14%	2.09 %
Fixed Income	15.00 %	2.56 %	0.38 %
Credit Strategies	14.00 %	5.60 %	0.78 %
Real Assets	14.00 %	5.02 %	0.70 %
Private Equity	16.00 %	9.17 %	1.47 %
MAPS - Multi -Asset Public Strategies	4.00 %	4.50 %	0.18 %
PIP- Private Investment Partnership	2.00 %	7.18 %	0.14 %
Cash	1.00 %	1.20 %	0.01 %
Total	100.00 %		5.75 %
Inflation			2.50 %
Expected arithmetic nominal return **			8.25 %

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)

* The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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, 2023, the rate contributed by Norfolk State University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 102% of the actuarially determined contribution rate. From July 1, 2023, on, all agencies are assumed to continue to contribute 102% 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 Norfolk State University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Norfolk State University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 73,157,832	\$ 43,901,507	\$ 19,416,218

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—RETIREMENT PLANS (CONTINUED)

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Norfolk State University's proportionate share of the VaLORS Retirement Plan	\$ 3,805,501	\$ 2,489,219	\$ 1,413,961
Net Pension Liability			

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 2023 Annual Comprehensive Financial Report (ACFR). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2024, the University had accrued retirement contributions payable to the pension plan of \$609,202 payable to the VRS State employee Retirement Plan and \$41,064 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2024 but not yet paid to the plan.

Optional Retirement Plans

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by the Code of Virginia rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), and DCP (record-kept by Mission Square Retirement). 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 contributions, plus net investment gains. 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. For Plan 2, the employer contributions for fiscal year 2024 were 8.5 percent. Vesting is full and immediate for both employer and employee contributions. For fiscal year 2024, total pension expense recognized was \$1,621,168. For fiscal year 2024, contributions were calculated using the base salary amount of \$17,294,132.

Deferred Compensation Plan

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the University's deferred compensation plan in accordance with Internal Revenue Code Sections 403(b). Under either plan, the University's cash match under the Internal Revenue Code Sections 401(a) during fiscal year 2024 was a maximum match up to \$20 per pay period or \$40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately \$140,446 for fiscal year 2024.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the Commonwealth and administered by the Department of Human Resources Management. Below are the detailed descriptions for each program.

General Information about the Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS	
Eligible Employees	<p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
Benefit Amounts	<p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from Norfolk State University were \$361,421 and \$329,631 for the years ended June 30, 2024, and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Norfolk State University's portion of the GLI special contribution is found in the Other non-operating revenue line item on the Statement of Revenues, Expenses, and Changes in Net Position.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2024, Norfolk State University reported a liability of \$3,108,021 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, Norfolk State University, employer's proportion was .25915% as compared to .26335% at June 30, 2022.

For the year ended June 30, 2024, Norfolk State University recognized GLI OPEB expense of \$118,829. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 310,415	\$ 94,344
Net difference between projected and actual earnings on GLI OPEB program investments	-	124,898
Change in assumptions	66,435	215,336
Changes in proportionate share	53,337	115,265
Employer contributions subsequent to the measurement date	361,421	-
Total	<u>\$ 791,608</u>	<u>\$ 549,843</u>

\$361,421 reported as deferred outflows of resources related to the GLI OPEB resulting from Norfolk State University's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

Year ended June 30

FY 2025	\$	(43,515)
FY 2026	\$	(144,492)
FY 2027	\$	47,195
FY 2028	\$	(770)
FY 2029	\$	21,926
Thereafter	\$	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
Teachers	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.00 percent
Locality – General employees	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Group Life Insurance Program

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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Group Life Insurance Program

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 decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Group Life Insurance Program

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Group Life Insurance Program

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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – Largest 10 Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Group Life Insurance Program

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – Non-Largest 10 Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Group Life Insurance Program

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

Mortality Rates – Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

NORFOLK STATE UNIVERSITY
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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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 the 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

Group Life Insurance Program

Mortality rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NORFOLK STATE UNIVERSITY

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	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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

Group Life Insurance Program

Group Life Insurance OPEB Program

Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	<u>2,707,739</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic	Weighted Average
		Long-Term Expected Rate of Return	Long-Term Expected Rate of Return*
Public Equity	34.00 %	6.14 %	2.09 %
Fixed Income	15.00 %	2.56 %	0.38 %
Credit Strategies	14.00 %	5.60 %	0.78 %
Real Assets	14.00 %	5.02 %	0.70 %
Private Equity	16.00 %	9.17 %	1.47 %
MAPS - Multi -Asset Public Strategies	4.00 %	4.50 %	0.18 %
PIP- Private Investment Partnership	2.00 %	7.18 %	0.14 %
Cash	1.00%	1.20%	0.01%
Total	100.00 %		5.75 %
	Inflation		2.50 %
	Expected arithmetic nominal return **		8.25 %

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

Group Life Insurance Program

** On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made in accordance with the VRS funding policy and rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the University for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

Sensitivity of Norfolk State University's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Norfolk State University's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 4,607,058	\$ 3,108,021	\$ 1,896,040

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables VRS Group Life Insurance OPEB Plan

At June 30, 2024, the University had accrued group life insurance contributions payable of \$57,785 including \$55,926 payable for General State employees and \$1,859 payable for VaLORS employees.

The payable is based on group life insurance contributions earned by University employees through June 30, 2024, but not yet paid to the plan.

VRS Disability Insurance Program

General Information about the VRS Disability Insurance Program

Plan Description

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

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

NORFOLK STATE UNIVERSITY
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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VSDP PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP. <p>Benefit Amounts</p> <p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • Leave – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • Short-Term Disability – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides <p><u>VRS Disability Insurance Program</u></p> <p>income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.</p>
<ul style="list-style-type: none"> • <u>Long-Term Disability (LTD)</u> – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan. • <u>Income Replacement Adjustment</u> – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • <u>VSDP Long-Term Care Plan</u> – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.
<p>Disability Insurance Program (VSDP) Plan Notes:</p> <ul style="list-style-type: none"> • Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels. • A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.

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- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

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

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

VRS Disability Insurance Program

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

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2024, was 0.61% of covered employee compensation. This rate was the General Assembly approved rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from Norfolk State University were \$291,063 and \$259,249 for the years ended June 30, 2024, and June 30, 2023, respectively.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2024, Norfolk State University reported an asset of \$2,649,587 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2023, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. Norfolk State University's proportion of the Net VSDP OPEB Asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, Norfolk State University's proportion was .83880% as compared to .84054% at June 30, 2022.

For the year ended June 30, 2024, Norfolk State University recognized VSDP OPEB expense of \$63,697. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 190,968	\$ 364,565
Net difference between projected and actual earnings on VSDP OPEB program investments	-	72,647
Change in assumptions	9,091	29,136
Changes in proportionate share	60,155	73,732
Employer contributions subsequent to the measurement date	291,063	-
Total	\$ 551,277	\$ 540,080

VRS Disability Insurance Program

\$291,063 reported as deferred outflows of resources related to the VSDP OPEB resulting from Norfolk State University contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Asset in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2025	\$	(120,925)
FY 2026	\$	(149,134)
FY 2027	\$	6,544
FY 2028	\$	(11,094)
FY 2029	\$	4,194
Thereafter	\$	(9,451)

Actuarial Assumptions

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

VRS Disability Insurance Program

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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NORFOLK STATE UNIVERSITY

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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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

VRS Disability Insurance Program

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

VRS Disability Insurance Program

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Net VSDP OPEB Asset

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
	<u>Program</u>
Total VSDP OPEB Liability	\$ 318,901
Plan Fiduciary Net Position	<u>634,779</u>
VSDP Net OPEB Liability (Asset)	<u>(\$ 315,878)</u>
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	199.05%

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

Long-Term Expected Rate of Return

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00 %	6.14 %	2.09 %
Fixed Income	15.00 %	2.56 %	0.38 %
Credit Strategies	14.00 %	5.60 %	0.78 %
Real Assets	14.00 %	5.02 %	0.70 %
Private Equity	16.00 %	9.17 %	1.47 %
MAPS - Multi -Asset Public Strategies	4.00 %	4.50 %	0.18 %
PIP-Private Investment Partnership	2.00 %	7.18 %	0.14 %
Cash	1.00 %	1.20 %	0.01 %
Total	<u>100.00%</u>		<u>5.75 %</u>
	Inflation		2.50 %
	Expected arithmetic nominal return**		<u>8.25%</u>

* The above allocation provides a one-year return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by Norfolk State University to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 109% of the actuarially determined contribution rate. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

VRS Disability Insurance Program

Sensitivity of Norfolk State University's Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate

The following presents the Norfolk State University's proportionate share of the net VSDP OPEB asset using the discount rate of 6.75%, as well as what the Norfolk State University's proportionate share of the net VSDP OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Norfolk State University's proportionate share of the VSDP Net OPEB Asset	\$ 2,452,034	\$ 2,649,587	\$ 2,823,733

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Disability Insurance Program (VSDP) OPEB Plan

At June 30, 2024, the University had accrued VSDP contributions payable of \$20,439 including \$19,593 payable to the VRS State employee Retirement Plan and \$846 payable to the VaLORS Retirement Plan. The payable is based on VSDP contributions earned by University employees through June 30, 2023, but not yet paid to the plan.

General Information about the State Employee Health Insurance Credit Program

Plan Description

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

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

NORFOLK STATE UNIVERSITY
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<u>Health Insurance Credit Program</u>
STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees The State Employee Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
<p>Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. <p>For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2024 was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was the approved General Assembly rate which 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 Norfolk State University to the VRS State Employee Health Insurance Credit Program were \$747,515 and \$681,494 for the years ended June 30, 2024 and June 30, 2023, respectively.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

In June 2023, the Commonwealth made a special contribution of approximately \$8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Norfolk State University's portion of the special payment is found in the Other non-operating revenue line item on the Statement of Revenues, Expenses, and Changes in Net Position.

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

At June 30, 2024, Norfolk State University reported a liability of \$6,094,048 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2023 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023.

Norfolk State University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on Norfolk State University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2023, Norfolk State University's proportion of the VRS State Employee Health Insurance Credit Program was .74171% as compared to .75542% at June 30, 2022.

For the year ended June 30, 2024, Norfolk State University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$ 933,127. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2024, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143	\$ 389,286
Net difference between projected and actual earnings on State HIC OPEB program investments	\$ 15,904	\$ -
Change in assumptions	144,004	-
Changes in proportionate share	114,001	201,407
Employer contributions subsequent to the measurement date	747,515	-
Total	\$ 1,021,567	\$ 590,693

NORFOLK STATE UNIVERSITY
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JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Insurance Credit Program

\$ 747,515 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from Norfolk State University's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2025	\$	(87,816)
FY 2026	\$	(106,827)
FY 2027	\$	(40,743)
FY 2028	\$	(63,410)
FY 2029	\$	(17,845)
Thereafter	\$	-

Actuarial Assumptions

The total State Employee HIC OPEB Liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.00 percent
Investment rate of return	6.75 percent, net of plan investment expenses, including inflation

NORFOLK STATE UNIVERSITY
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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Health Insurance Credit Program

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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Health Insurance Credit Program

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Health Insurance Credit Program

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022 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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Health Insurance Credit Program

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	\$ 1,102,220
Plan Fiduciary Net Position	<u>280,599</u>
State Employee net HIC OPEB Liability (Asset)	<u>\$ 821,621</u>
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	25.46%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability

is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

NORFOLK STATE UNIVERSITY
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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Asset Class (Strategy)	Long-Term Target	Arithmetic	Weighted Average
	Asset Allocation	Long-Term Expected Rate of Return	Long-Term Expected Rate of Return*
Public Equity	34.00 %	6.14 %	2.09 %
Fixed Income	15.00 %	2.56 %	0.38 %
Credit Strategies	14.00 %	5.60 %	0.78 %
Real Assets	14.00 %	5.02 %	0.70 %
Private Equity	16.00 %	9.17 %	1.47 %
MAPS - Multi -Asset Public Strategies	4.00 %	4.50 %	0.18 %
PIP- Private Investment Partnership	2.00 %	7.18 %	0.14 %
Cash	1.00%	1.20%	0.01%
Total	100.00 %		5.75 %
	Inflation		2.50 %
	Expected arithmetic nominal return **		8.25 %

Health Insurance Credit Program

* The above allocation provides a one-year return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50% asset allocation.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by Norfolk State University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General

Assembly, which was 108% of the actuarially determined contribution rate. From July 1, 2023, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

Sensitivity of Norfolk State University's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

NORFOLK STATE UNIVERSITY
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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

The following presents Norfolk State University's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what Norfolk State University's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Norfolk State University's proportionate share of the VRS State Employee HIC OPEB Plan	\$ 6,881,450	\$ 6,094,048	\$ 5,418,848
Net HIC OPEB Liability			

Health Insurance Credit Program

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the State Employee Health Insurance Credit Program OPEB Plan

At June 30, 2024, the University had accrued health insurance credit contributions payable of \$48,263 including \$46,709 payable to the VRS State employee Retirement Plan and \$1,554 payable to the VaLORS Retirement Plan. The payable is based on health insurance credit contributions earned by University employees through June 30, 2024, but not yet paid to the plan.

Line of Duty Act Program

General Information about the Line of Duty Act Program

Plan Description

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

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

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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	
Eligible Employees	The eligible employees of the LODA Program include paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under VRS, SPORS, or VaLORS.
Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)	
<u>Line of Duty Act Program</u>	
Benefit Amounts	
The LODA program provides death and health insurance benefits for eligible individuals:	
<ul style="list-style-type: none">• <u>Death</u> – The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:<ul style="list-style-type: none">○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.• <u>Health Insurance</u> – The Line of Duty Act program provides health insurance benefits.<ul style="list-style-type: none">○ The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.	

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by § 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2024, was \$830.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from Norfolk State University were \$83,000 and \$8,864 for the years ended June 30, 2024, and June 30, 2023, respectively.

Line of Duty Act Program

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

At June 30, 2024, Norfolk State University reported a liability of \$267,761 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2023 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. Norfolk State University's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, Norfolk State University's proportion was .06679% as compared to .07345% at June 30, 2022.

For the year ended June 30, 2024, Norfolk State University recognized LODA OPEB expense of \$ 22,356. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

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Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,283	\$ 50,419
Net difference between projected and actual earnings on LODA OPEB program investments	-	783
Change in assumptions	59,473	55,214
Changes in proportionate share	28,533	168,405
Employer contributions subsequent to the measurement date	83,000	-
Total	<u>\$ 185,289</u>	<u>\$ 274,821</u>

\$83,000 reported as deferred outflows of resources related to the LODA OPEB resulting from Norfolk State University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Line of Duty Act Program

Year ended June 30

FY 2025	\$	(14,856)
FY 2026	\$	(14,832)
FY 2027	\$	(19,476)
FY 2028	\$	(24,195)
FY 2029	\$	(20,781)
Thereafter	\$	(78,392)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

NORFOLK STATE UNIVERSITY

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Inflation	2.50%
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% – 4.75%
Ages 65 and older	5.25% – 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.86%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

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

Line of Duty Act Program

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.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Line of Duty Act Program

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, 2022, 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:

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Line of Duty Act Program

The actuarial assumptions used in the June 30, 2022, 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:

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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

Mortality rates – Largest 10 Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

Mortality rates – Non-Largest 10 Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

Net LODA OPEB Liability

The net OPEB liability (NOL) for LODA represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOL amounts for LODA are as follows (amounts expressed in thousands):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 406,211
Plan Fiduciary Net Position	<u>5,311</u>
LODA Net OPEB Liability (Asset)	<u>\$ 400,900</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.31%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.86% 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 3.86% 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, 2023.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

Sensitivity of Norfolk State University's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents Norfolk State University's proportionate share of the net LODA OPEB liability using the discount rate of 3.86%, as well as what Norfolk State University's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current rate:

	1.00% Decrease (2.86%)	Current Discount Rate (3.86%)	1.00% Increase (4.86%)
Norfolk State University's proportionate share of the LODA	\$ 300,223	\$ 267,761	\$ 240,298
Net OPEB Liability			

Sensitivity of Norfolk State University's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

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

	1.00% Decrease 6.00% decreasing to 3.75%	Current Trend Rate 7.00% decreasing to 4.75%	1.0% Increase 8.00% decreasing to 5.75%
Norfolk State University's proportionate share of the LODA	\$ 227,070	\$ 267,761	\$ 318,183
Net OPEB Liability			

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Line of Duty Act Program

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Pre-Medicare Retiree Healthcare

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

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

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

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

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

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

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Pre-Medicare Retiree Healthcare

the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 3,551 retirees and 92,780 active employees in the program as of June 30, 2023. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2023. 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 7.75 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, 2023 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.80 years
Discount Rate	3.65%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 7.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2023.

Pre-Medicare Retiree Healthcare

Changes of Assumptions: There were not any changes in assumptions since the June 30, 2022 measurement date. The following remained constant since the prior measurement date:

- Spousal Coverage – rate remained at 20 percent
- Retiree Participation – rate remained at 35 percent

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, 2023. Additionally, the discount rate was increased from 3.54% to 3.65% 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.

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

On June 30, 2024, Norfolk State University reported a liability of \$2,955,669 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$351.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. On June 30, 2023, Norfolk State University's proportion was .83987% as compared to .84933% at June 30, 2022. For the year ended June 30, 2024, Norfolk State University recognized Pre-Medicare Retiree Healthcare OPEB gain of \$1,522,656.

On June 30, 2024, Norfolk State University reported deferred outflows or resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 75,817	\$ 714,487
Change in assumptions	-	1,809,699
Changes in proportion	111,528	160,024
Sub Total	<u>187,345</u>	<u>2,684,210</u>
Amounts associated with transactions subsequent to the measurement date	234,324	-
Total	<u>\$ 421,669</u>	<u>\$ 2,684,210</u>

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

Pre-Medicare Retiree Healthcare

Deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date were \$234,324. These amounts will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year ended June 30		
FY 2025	\$	(1,142,987)
FY 2026	\$	(683,094)
FY 2027	\$	(427,278)
FY 2028	\$	(223,288)
FY 2029	\$	(20,219)
Thereafter	\$	-

Sensitivity of Norfolk State University's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents Norfolk State University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.65%, as well as what the Norfolk State University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	1.00% Decrease	Current	1.00% Increase
	(2.65%)	Rate (3.65%)	(4.65%)
OPEB Liability	\$ 3,130,401	\$ 2,955,669	\$ 2,788,890

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

The following presents Norfolk State University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 7.75% decreasing to 4.50%, as well as what Norfolk State University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.75% decreasing to 3.50%) or one percentage point higher (8.75% decreasing to 5.50%) than the current rate:

	1.00% Decrease	Trend Rate	1.00% Increase
	(6.75% decreasing to 3.50%)	(7.75% decreasing to 4.50%)	(8.75% decreasing to 5.50%)
OPEB Liability	2,688,825	2,955,669	3,265,230

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 13—CONTINGENCIES

Grants and Contracts

The University has received 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 expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2024, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University has been named a defendant in a number of grievances and lawsuits. The final outcome of these grievances and 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.

Note 14—RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth 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, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's *Annual Comprehensive Financial Report*.

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 15—COMPONENT UNITS

	NSU Foundation Inc. as of December 31, 2023	The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2024	Norfolk State University Research and Innovation Foundation and Affiliates as of June 30, 2024	Total
Current assets:				
Cash and cash equivalents	\$ 3,823,590	\$ 398,540	\$ 2,164,876	\$ 6,387,006
Restricted cash and cash equivalents	-	-	1,904,747	1,904,747
Short-term investments	-	50,000	-	50,000
Accounts Receivable	-	-	43,693	43,693
Contributions receivable, net	2,888,415	-	90,132	2,978,547
Prepaid expenses	-	-	27,967	27,967
Other assets	209,605	-	-	209,605
Total current assets	6,921,610	448,540	4,231,415	11,601,565
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	2,681,266	2,681,266
Investments	96,802,964	-	815,254	97,618,218
Contributions receivable, net	3,722,926	-	315,462	4,038,388
Nondepreciable capital assets	2,024,310	-	650,619	2,674,929
Depreciable capital assets, net	271,590	-	18,461,743	18,733,333
Right-to-use lease assets, net	64,309	-	-	64,309
Total noncurrent assets	102,886,099	-	22,924,344	125,810,443
Total Assets	\$ 109,807,709	\$ 448,540	\$ 27,155,759	\$ 137,412,008
Liabilities:				
Accounts payable and accrued expenses	404,878	41,510	2,512,855	\$ 2,959,243
Unearned revenue	-	6,665	4,659	11,324
Operating Lease liability	44,460	-	-	44,460
Long-term liabilities - current portion	-	-	1,385,000	1,385,000
Total current liabilities	449,338	48,175	3,902,514	4,400,027
Long-term debt	129,085	-	21,689,922	21,819,007
Noncurrent liabilities	11,505	-	-	11,505
Total Liabilities	589,928	48,175	25,592,436	26,230,539
Net position:				
Net investment in capital assets	2,304,244	-	(3,962,560)	(1,658,316)
Restricted for:				
Nonexpendable	20,871,481	50,000	-	20,921,481
Expendable	43,528,647	298,743	405,597	44,232,987
Unrestricted	42,513,409	51,622	5,120,286	47,685,317
Total Net Position	\$ 109,217,781	\$ 400,365	\$ 1,563,323	\$ 111,181,469

NORFOLK STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 15—COMPONENT UNITS (CONTINUED)

	NSU Foundation Inc. as of December 31, 2023	The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2024	Norfolk State University Research and Innovation Foundation and Affiliates as of June 30, 2024	Total
Operating revenues:				
Other operating revenues	\$ -	\$ 158,447	\$ 6,372,407	\$ 6,530,854
Total operating revenues	-	158,447	6,372,407	6,530,854
Operating expenses:				
Institutional support	4,214,233	705,182	5,627,996	10,547,411
Operation and maintenance - plant	-	-	903,370	903,370
Depreciation expense	12,470	2,239	931,946	946,655
Scholarship and fellowship	2,996,381	-	-	2,996,381
Total operating expenses	7,223,084	707,421	7,463,312	15,393,817
Operating loss	(7,223,084)	(548,974)	(1,090,905)	(8,862,963)
Non-operating revenues:				
Investment income net of investment expense	2,304,567	-	-	2,304,567
Realized/unrealized gain (loss) on investments	8,532,843	-	-	8,532,843
Unrealized gain (loss) on interest rate swap	-	-	(48,962)	(48,962)
Interest on capital asset - related debt	-	-	1,531,335	1,531,335
Gifts	6,061,667	585,474	-	6,647,141
Net non-operating revenues	16,899,077	585,474	1,482,373	18,966,924
Increase before other revenues, expenses, gains or losses	9,675,993	36,500	391,468	10,103,961
Contributions to permanently restricted endowments	1,513,010	-	-	1,513,010
Net other revenues	1,513,010	-	-	1,513,010
Increase in net position	11,189,003	36,500	391,468	11,616,971
Net position - beginning of the year	98,028,778	363,865	1,171,855	99,564,498
Net position - end of year	\$ 109,217,781	\$ 400,365	\$ 1,563,323	\$ 111,181,469

NORFOLK STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 16—PUBLIC-PRIVATE PARTNERSHIPS

This University is a party to a limited number of public-private partnerships (PPP). A PPP is an arrangement in which the University contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as a building or other capital asset, for a period of time. The partnerships conveys the right to use University's buildings for food service and book store operations. These buildings are owned by the University and included as part of the capital assets reported on the Statement of Net Position. The University earns commissions from direct sales from these partnerships. These are received as variable payments based on the amount of sales. In FY 2024 the University earned catering commissions of \$72,959 and bookstore commissions of \$1,016,025. At the end of the contract, the University resumes control of all buildings/spaces being used by the operators.

Note 17 – PRIOR PERIOD ADJUSTMENT

	Beginning Balance as Previously Reported	New Accounting Pronouncement	Error Corrections	Beginning Balance as Restated
Other Capital Assets: Equipment	58,058,571	18,331,457	-	76,390,028
Accumulated Depreciation: Equipment	(37,090,063)	(8,758,532)	-	(45,848,595)
State Appropriations	108,622,218	-	(19,650,214)	88,972,004
Net Position: Total Net Position	221,678,671	9,572,925	(19,650,214)	211,601,382

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

RETIREMENT PLANS

Schedule of Employer's Share of Net Pension Liability

VRS State Employee Retirement Plan

For the Years Ended June 30, 2015 through 2024*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.87%	0.87%	0.86%	0.85%	0.88%	0.85%	0.85%	0.86%	0.93%	0.98%
Employer's Proportionate Share of the Net Pension Liability	\$43,901,507	\$39,568,215	\$31,322,217	\$61,687,790	\$55,312,827	\$45,871,000	\$49,418,000	\$56,926,000	\$56,950,000	\$54,796,000
Employer's Covered Payroll	\$43,058,958	\$39,932,567	\$37,484,850	\$35,668,920	\$36,058,735	\$34,590,188	\$33,615,222	\$34,046,270	\$35,843,667	\$37,797,709
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	101.96%	99.09%	83.56%	172.95%	153.40%	132.61%	147.01%	167.20%	158.88%	144.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.19%	83.26%	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

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

Schedule of Employer's Share of Net Pension Liability

ValORS Employee Retirement Plan

For the Years Ended June 30, 2015 through 2024*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.28%	0.28%	0.20%	0.25%	0.28%	0.33%	0.34%	0.26%	0.29%	0.27%
Employer's Proportionate Share of the Net Pension Liability	\$2,489,219	\$1,752,979	\$1,033,405	\$1,948,763	\$1,948,154	\$2,051,000	\$2,215,000	\$2,039,000	\$2,026,000	\$1,802,000
Employer's Covered Payroll	\$1,420,381	\$938,103	\$690,648	\$922,168	\$982,451	\$1,137,353	\$1,162,617	\$909,368	\$965,553	\$942,647
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.25%	186.86%	149.63%	211.32%	198.30%	180.33%	190.52%	224.22%	209.83%	191.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.91%	74.41%	78.18%	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

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

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

RETIREMENT PLANS (CONTINUED)

Schedule of Employer Contributions VRS State Employee Retirement Plan For the Years Ended June 30, 2015 through 2024						
Date	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll	
2024	\$ 6,919,602	\$ 6,919,602	\$ -	\$ 47,853,399	14.46%	
2023	\$ 6,226,325	\$ 6,226,325	\$ -	\$ 43,058,957	14.46%	
2022	\$ 5,774,249	\$ 5,774,249	\$ -	\$ 39,932,567	14.46%	
2021	\$ 5,420,309	\$ 5,420,309	\$ -	\$ 37,484,850	14.46%	
2020	\$ 4,822,438	\$ 4,822,438	\$ -	\$ 35,668,920	13.52%	
2019	\$ 4,875,141	\$ 4,875,141	\$ -	\$ 36,058,735	13.52%	
2018	\$ 4,666,216	\$ 4,666,216	\$ -	\$ 34,590,188	13.49%	
2017	\$ 4,534,693	\$ 4,534,693	\$ -	\$ 33,615,222	13.49%	
2016	\$ 4,780,212	\$ 4,780,212	\$ -	\$ 34,046,270	14.04%	
2015	\$ 4,419,524	\$ 4,419,524	\$ -	\$ 35,843,667	12.33%	
* Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the hybrid plan.						

Schedule of Employer Contributions VaLORS Employee Retirement Plan For the Years Ended June 30, 2015 through 2024						
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll	
2024	\$ 420,671	\$ 420,671	\$ -	\$ 1,710,046	24.60%	
2023	\$ 349,414	\$ 349,414	\$ -	\$ 1,420,381	24.60%	
2022	\$ 205,445	\$ 205,445	\$ -	\$ 938,103	21.90%	
2021	\$ 151,252	\$ 151,252	\$ -	\$ 690,648	21.90%	
2020	\$ 199,281	\$ 199,281	\$ -	\$ 922,168	21.61%	
2019	\$ 212,308	\$ 212,308	\$ -	\$ 982,451	21.61%	
2018	\$ 239,413	\$ 239,413	\$ -	\$ 1,137,353	21.05%	
2017	\$ 244,731	\$ 244,731	\$ -	\$ 1,162,617	21.05%	
2016	\$ 171,435	\$ 171,435	\$ -	\$ 909,368	18.85%	
2015	\$ 170,613	\$ 170,613	\$ -	\$ 965,553	17.67%	

NORFOLK STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

RETIREMENT PLANS (CONTINUED)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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, 2022, 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, 2021. Changes to the actuarial assumptions for the VRS – State Employee Retirement Plan as a result of the experience study and VRS Board action are as follows:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NORFOLK STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

POSTEMPLOYMENT BENEFITS

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program (GLI) For the Years Ended June 30, 2018 through 2024*							
	2024	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.2592%	0.2634%	0.2625%	0.2609%	0.2646%	0.2705%	0.2662%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 3,108,021	\$ 3,170,988	\$ 3,056,677	\$ 4,353,660	\$ 4,305,258	\$ 4,108,000	\$ 4,004,000
Employer's Covered Payroll	\$ 61,042,772	\$ 57,284,678	\$ 54,204,815	\$ 44,441,154	\$ 51,864,538	\$ 51,435,728	\$ 49,095,318
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.09%	5.54%	5.64%	9.80%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
<i>Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.</i>							
<i>*The amounts presented have a measurement date of the previous fiscal year end.</i>							

Schedule of Employer's Share of Net OPEB Asset Disability Insurance Program (VSDP) For the Years Ended June 30, 2018 through 2024*							
	2024	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net VSDP OPEB Asset	0.8388%	0.8405%	0.8290%	0.8158%	0.8471%	0.8281%	0.8371%
Employer's Proportionate Share of the Net VSDP OPEB Asset	\$ 2,649,587	\$ 2,480,875	\$ 2,857,801	\$ 1,800,397	\$ 1,661,951	\$ 1,865,000	\$ 1,719,000
Employer's Covered Payroll	\$ 42,499,952	\$ 38,688,673	\$ 35,831,106	\$ 28,174,839	\$ 34,287,150	\$ 32,658,716	\$ 31,581,754
Employer's Proportionate Share of the Net VSDP OPEB Asset as a Percentage of its Covered Payroll	6.23%	6.41%	7.98%	6.39%	4.85%	5.71%	5.44%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	199.05%	195.90%	229.01%	181.88%	167.18%	194.74%	186.63%
<i>Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.</i>							
<i>*The amounts presented have a measurement date of the previous fiscal year end.</i>							

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer's Share of Net OPEB Liability

Health Insurance Credit Program (HIC)

For the Years Ended June 30, 2018 through 2024*

	2024	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.7417%	0.7554%	0.7506%	0.7439%	0.7601%	0.7590%	0.7577%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 6,094,048	\$ 6,188,196	\$ 6,339,038	\$ 6,828,864	\$ 7,015,803	\$ 6,924,000	\$ 6,899,000
Employer's Covered Payroll	\$ 60,847,703	\$ 57,239,500	\$ 54,089,340	\$ 53,835,556	\$ 51,792,526	\$ 51,108,515	\$ 48,954,780
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	10.02%	10.81%	11.72%	12.68%	13.55%	13.55%	14.09%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	25.46%	21.52%	19.75%	12.02%	10.56%	9.51%	8.03%

Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.

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

Schedule of Employer's Share of Net OPEB Liability

Line of Duty Act Program (LODA)

For the Years Ended June 30, 2018 through 2024*

	2024	2023	2022	2021	2020	2019	2018
Employer's Proportion of the Net LODA OPEB Liability	0.0668%	0.0735%	0.0834%	0.1195%	0.1157%	0.1332%	0.1105%
Employer's Proportionate Share of the Net LODA OPEB Liability	\$ 267,761	\$ 277,976	\$ 367,611	\$ 500,275	\$ 415,080	\$ 417,000	\$ 290,000
Covered-Employee Payroll**	\$ 1,420,381	\$ 938,103	\$ 690,648	\$ 922,166	\$ 977,828	\$ 1,075,985	\$ 1,070,900
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered-Employee Payroll	18.85%	29.63%	53.23%	54.25%	42.45%	38.76%	27.08%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.31%	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.

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

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

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer's Share of Total OPEB Liability

Pre-Medicare Retirees

For the Years Ended June 30, 2018 through 2024*

	2024	2023	2022	2021	2020	2019	2018
Employer's Proportion of the collective total OPEB Liability	0.8399%	0.8493%	0.8597%	0.8557%	0.8580%	0.8322%	0.8395%
Employer's Proportionate Share of the collective total OPEB Liability	\$ 2,955,669	\$ 3,086,589	\$ 3,859,183	\$ 4,867,120	\$ 5,824,499	\$ 8,368,704	\$10,904,664
Employer's Covered-Employee Payroll	\$ 59,346,939	\$ 55,245,142	\$ 50,274,268	\$ 49,507,652	\$48,212,680	\$ 46,529,555	\$44,715,974
Employer's Proportionate Share of the collective total OPEB Liability as a Percentage of its Covered-employee Payroll	4.98%	5.59%	7.68%	9.83%	12.08%	17.99%	24.39%

Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.

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

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer Contributions

Group Life Insurance Program (GLI)

For the Years Ended June 30, 2018 through 2024*

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
2024	\$ 361,421	\$ 361,421	\$ -	\$ 66,929,927	0.54%
2023	\$ 329,631	\$ 329,631	\$ -	\$ 61,042,772	0.54%
2022	\$ 309,338	\$ 309,338	\$ -	\$ 57,284,678	0.54%
2021	\$ 292,706	\$ 292,706	\$ -	\$ 54,204,815	0.54%
2020	\$ 231,094	\$ 231,094	\$ -	\$ 44,441,154	0.52%
2019	\$ 269,696	\$ 269,696	\$ -	\$ 51,864,538	0.52%
2018	\$ 267,466	\$ 267,466	\$ -	\$ 51,435,728	0.52%

*Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, only seven years of data are available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Virginia Sickness and Disability Program (VSDP)

For the Years Ended June 30, 2018 through 2024*

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
2024	\$ 291,063	\$ 291,063	\$ -	\$ 47,715,284	0.61%
2023	\$ 259,249	\$ 259,249	\$ -	\$ 42,499,952	0.61%
2022	\$ 236,000	\$ 236,000	\$ -	\$ 38,688,673	0.61%
2021	\$ 218,570	\$ 218,570	\$ -	\$ 35,831,106	0.61%
2020	\$ 174,684	\$ 174,684	\$ -	\$ 28,174,839	0.62%
2019	\$ 212,980	\$ 212,980	\$ -	\$ 34,287,150	0.62%
2018	\$ 215,548	\$ 215,548	\$ -	\$ 32,658,716	0.66%

*Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, only seven years of data are available. However, additional years will be included as they become available.

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Employer Contributions

Health Insurance Credit Program (HIC)

For the Years Ended June 30, 2018 through 2024**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a % of Covered- Employee Payroll
2024	\$ 747,515	\$ 747,515	\$ -	\$ 66,742,368	1.12%
2023	\$ 681,494	\$ 681,494	\$ -	\$ 60,847,703	1.12%
2022	\$ 641,083	\$ 641,083	\$ -	\$ 57,239,500	1.12%
2021	\$ 605,800	\$ 605,800	\$ -	\$ 54,089,340	1.12%
2020	\$ 629,876	\$ 629,876	\$ -	\$ 53,835,556	1.17%
2019	\$ 605,973	\$ 605,973	\$ -	\$ 51,792,526	1.17%
2018	\$ 603,080	\$ 603,080	\$ -	\$ 51,108,515	1.18%

*Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, only seven years of data are available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Line of Duty Act Program (LODA)

For the Years Ended June 30, 2018 through 2024**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a % of Covered- Employee Payroll
2024	\$ 83,000	\$ 83,000	\$ -	\$ 2,636,744	4.85%
2023	\$ 8,864	\$ 8,864	\$ -	\$ 1,420,381	0.62%
2022	\$ 10,116	\$ 10,116	\$ -	\$ 938,103	1.08%
2021	\$ 11,477	\$ 11,477	\$ -	\$ 690,648	1.66%
2020	\$ 16,233	\$ 16,233	\$ -	\$ 922,166	1.76%
2019	\$ 15,526	\$ 15,526	\$ -	\$ 977,828	1.59%
2018	\$ 14,184	\$ 14,184	\$ -	\$ 1,075,985	1.32%

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

**Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, only seven years of data are available. However, additional years will be included as they become available.

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Group Life Insurance, Disability Insurance, Health Insurance Credit and Line of Duty Act 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, 2022, 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, 2021(excluding LODA). Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program and Line of Duty Act Program

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

Teachers

Group Life Insurance Program

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

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SPORS Employees

**Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program
and Line of Duty Act Program**

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

VaLORS Employees

**Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program
and Line of Duty Act Program**

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

JRS Employees

Group Life Insurance Program and Health Insurance Credit Program

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

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Largest 10 Locality Employers - General Employees
Group Life Insurance Program

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 10 Locality Employers - General Employees
Group Life Insurance Program

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 10 Locality Employers – Hazardous Duty Employees
Group Life Insurance Program

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

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Non-Largest 10 Locality Employers – Hazardous Duty Employees
Group Life Insurance Program

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

Employees in the Largest 10 Locality Employers With Public Safety Employees
Line of Duty Act Program

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

Employees in the Non- Largest 10 Locality Employers With Public Safety Employees
Line of Duty Act Program

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

NORFOLK STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

JUNE 30, 2024

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

DEPARTMENT OF HUMAN RESOURCES MANAGEMENT PRE-MEDICARE RETIREE HEALTHCARE PLAN:

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

Changes of benefit terms

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

Changes of assumptions

There were not any changes in assumptions since the June 30, 2022 measurement date. The following remained constant since the prior measurement date:

- Spousal Coverage – rate remained at 20%
- Retiree Participation – rate remained at 35%

Retiree participation were 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, 2023. Additionally, the discount rate was increased from 3.54% to 3.65% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2023.

NORFOLK STATE UNIVERSITY

HIGHLIGHTS

FIVE YEARS IN REVIEW

FALL SEMESTER	2019-20	2020-21	2021-22	2022-23	2023-24
ENROLLMENT					
Total	5,601	5,457	5,458	5,783	6,045
In-state	4,256	4,092	4,008	4,112	4,352
Out-of-state	1,345	1,365	1,450	1,671	1,693
FRESHMAN APPLICATIONS					
Number of Applications Received	5,974	6,944	6,490	8,884	10,211
In-state	1,608	1,612	1,348	881	3,984
Out-of-state	4,366	5,332	5,142	8,003	6,227
Number of Applications Accepted	5,499	6,324	5,753	7,951	8,931
In-state	1,505	1,501	1,225	768	3,486
Out-of-state	3,994	4,823	4,528	7,183	5,445
Number of Accepted Enrolled	1,225	1,066	1,113	1,300	1,503
In-state	817	729	738	458	1,005
Out-of-state	408	337	375	842	498
TRANSFER APPLICATIONS					
Number of Applications Received	940	841	840	836	721
In-state	427	382	346	317	198
Out-of-state	513	459	494	519	523
Number of Applications Accepted	869	742	739	739	646
In-state	397	358	296	283	187
Out-of-state	472	384	443	456	459
Number of Accepted Enrolled	434	347	353	345	314
In-state	348	246	250	241	85
Out-of-state	86	101	103	104	229
GRADUATE APPLICATIONS					
Number of Applications Received	343	323	292	309	453
In-state	155	123	105	114	214
Out-of-state	188	200	187	195	239
Number of Applications Accepted	281	229	192	209	367
In-state	153	89	92	83	166
Out-of-state	128	140	100	126	201
Number of Accepted Enrolled	181	158	116	149	220
In-state	142	121	82	51	71
Out-of-state	39	37	34	98	149
TUITION AND FEES					
Undergraduate					
In-state	\$9,622	\$9,622	\$9,622	\$9,622	\$9,910
Out-of-state	\$21,550	\$21,550	\$21,550	\$21,550	\$22,172
Graduate					
In-state	\$12,690	\$12,690	\$12,690	\$12,690	\$13,068
Out-of-state	\$25,502	\$25,502	\$25,502	\$25,502	\$26,242
ROOM AND BOARD					
Total Room and Board	\$10,844	\$10,844	\$10,844	\$10,844	\$11,170
Room rates	\$7,206	\$7,206	\$7,206	\$7,206	\$7,422
Board rates	\$3,638	\$3,638	\$3,638	\$3,638	\$3,748



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 18, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Norfolk State University

Javaune Adams-Gaston
President, Norfolk State University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Norfolk State University** (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Notes 1 and 15. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matters

Changes in Accounting Principles

As discussed in Note 1 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections and GASB Implementation Guide No. 2021-1 Question 5.1, related to capitalizing groups of assets. Our opinions are not modified with respect to these matters.

Correction of 2023 Financial Statements

As discussed in Note 17 of the accompanying financial statements, the fiscal year 2023 financial statements have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 2 through 10; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 106 through 108; the Schedule of Employer's Share of Net OPEB Liability, the Schedule of Employer's Share of Net OPEB Asset, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Group Life Insurance, Disability Insurance, Health Insurance Credit,

Line of Duty programs on pages 109 through 118; the Schedule of Employer's Share of Total OPEB Liability on page 109 and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on 118. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Letter from the Vice President for Finance and Administration on page 1 and the University Highlights on page 119 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 18, 2025, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JDE/clj

NORFOLK STATE UNIVERSITY

Norfolk, Virginia

BOARD OF VISITORS

(As of June 30, 2024)

Devon H. Henry, **Rector**
Bishop Kim W. Brown, **Vice Rector**
Dwayne B. Blake, **Secretary**

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Gilbert T. Bland
Katrina L. Chase
The Honorable James W. Dyke, Jr.
Conrad M. Hall
B. K. Fulton
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Delbert Parks
Dr. Harold L. Watkins, II

OFFICIALS

(As of June 30, 2024)

Dr. Javaune Adams-Gaston, President
Dr. Justin L. Moses, Vice President for Operations and Chief Strategist
for Institutional Effectiveness
Dr. DoVeanna Fulton, Provost and Vice President for Academic Affairs
Dr. Gerald E. Hunter, Vice President for Finance and Administration/CFO
Clifford Porter, J.D., Vice President for University Advancement
Dr. Leonard Brown, Vice President for Student Affairs and Enrollment Management
Eric Claville, J.D., Executive Advisor to the President, Governmental Relations
Melody Webb, Athletics Director
Pamela F. Boston, Esq., University Counsel
Tanya S. White, Chief of Staff
Derika Burgess, Chief Audit Executive
Dr. Dawn M. Hess, Chief Compliance Officer
Karla J. Amaya Gordon, CPA, Assistant Vice President of Finance and Administration / University Controller

