

# **VIRGINIA COMMUNITY COLLEGE SYSTEM**

**FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

Prepared by:  
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# VCCS Financial Report 2017-2018

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# VCCS Financial Report 2017-2018

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## VIRGINIA COMMUNITY COLLEGE SYSTEM

### Management's Discussion and Analysis

The Virginia Community College System (VCCS) was established by the Virginia General Assembly as an institution of higher education in 1965. The System includes the State Board for Community Colleges, a System Office located in Richmond, a Shared Services Center located in Daleville and twenty-three community colleges located on forty campuses throughout the Commonwealth. The VCCS mission is to provide everyone the opportunity to obtain an education and develop the right skills so lives and communities are strengthened.

The following discussion and analysis provides an overview of the financial position and activities of the VCCS for the year ended June 30, 2018. Management has prepared this discussion, which should be read in conjunction with the financial statements and footnotes.

The community college foundations are included in the accompanying financial statements as a discrete component unit in a separate column. The following discussion and analysis does not include the financial condition and activities of the foundations.

#### ***Financial Highlights***

The significant financial highlights for the VCCS in fiscal year 2018 were:

- Total net position decreased by 17.65% due to the implementation of a new Governmental Accounting Standards Board (GASB) pronouncement that requires the VCCS to record a proportionate share of the overall Optional Post Employment Benefit (OPEB) liability of the Commonwealth. The results of operations for fiscal year 2018 reflected an overall increase in net position of \$22.7 million.
- Total operating revenues remained relatively constant with a slight percentage decrease of only 1.97%. Student tuition and fees, net of scholarship discounts and allowances, represented 69.75% of total operating revenues.
- Effective fall 2017, the State Board for Community Colleges approved a tuition increase of \$4.00 per credit hour for all students. In addition, the State Board approved tuition differential rate increases of \$1.00 per credit hour for Northern Virginia Community College (NVCC) and \$0.50 per credit hour for John Tyler Community College (JTCC.) These tuition rate increases accounted for additional tuition revenues of \$13.2 million in fiscal year 2018.
- From fiscal year 2017 to 2018, student full-time equivalent (FTE) enrollment decreased 3.49% from 105,242 to 101,571 FTEs. This decrease resulted in a decline in tuition and fee collections of approximately \$21.1 million in fiscal year 2018. One FTE represents 30 credit hours of classes taken by a student over an academic year and is calculated on an annual basis by taking the total credit hours taught divided by 30.
- Total state appropriations revenue (non-capital) increased slightly by .07%, while state capital appropriations revenue increased by 17.79% due to increased construction activity at Danville Community College (DCC) and Virginia Western Community College (VWCC).
- Total operating expenses remained relatively flat with slight increase of .13%. Expenses for employee compensation represented 60.63% of the total.

## Financial Statements

The three financial statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

### Statement of Net Position

The Statement of Net Position presents assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position of the VCCS at the end of the fiscal year. Net position is the residual amount equal to assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is presented in three categories; Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities related to those assets. Restricted net position is classified as either nonexpendable or expendable. Nonexpendable balances consist of loan funds and permanent endowments (available for investment purposes only). Expendable balances are available for expenditure by the VCCS, but must be used for purposes determined by external entities. Unrestricted net position balances are not subject to externally imposed restrictions and may be internally designated for specific purposes by management of the VCCS.

A summarized Statement of Net Position is as follows:

#### **Summary of the Statement of Net Position, as of June 30:**

(in thousands)

	2018	2017 *	Increase (Decrease) Amount	Percentage
<b>Assets</b>				
Current assets	\$ 297,739	\$ 293,957	\$ 3,782	1.29%
Capital assets, net	1,359,728	1,365,407	(5,679)	(0.42)%
Other non-current assets	110,100	97,597	12,503	12.81%
<b>Total Assets</b>	<b>1,767,567</b>	<b>1,756,961</b>	<b>10,606</b>	<b>0.60%</b>
<b>Deferred Outflows of Resources</b>	<b>74,902</b>	<b>99,908</b>	<b>(25,006)</b>	<b>(25.03)%</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,842,469</b>	<b>1,856,869</b>	<b>(14,400)</b>	<b>(0.78)%</b>
<b>Liabilities</b>				
Current liabilities	187,261	196,370	(9,109)	(4.64)%
Non-current liabilities	790,893	701,909	88,984	12.68%
<b>Total Liabilities</b>	<b>978,154</b>	<b>898,279</b>	<b>79,875</b>	<b>8.89%</b>
<b>Deferred Inflows of Resources</b>	<b>95,612</b>	<b>25,097</b>	<b>70,515</b>	<b>280.97%</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,073,766</b>	<b>923,376</b>	<b>150,390</b>	<b>16.29%</b>
<b>Net Position</b>				
Net investment in capital assets	1,252,678	1,253,943	(1,265)	(0.10)%
Restricted-nonexpendable	8	-	8	100.00%
Restricted-expendable	16,103	17,642	(1,539)	(8.72)%
Unrestricted	(500,086)	(338,092)	(161,994)	(47.91)%
<b>Total Net Position</b>	<b>\$ 768,703</b>	<b>\$ 933,493</b>	<b>\$(164,790)</b>	<b>(17.65)%</b>

\*June 30, 2017 amounts have been restated for audit adjustments (see footnote 1-R). However, the 2017 column has not been adjusted to reflect the impact on balances related to implementation of GASB 85.

### Current Assets

Current assets consist of \$247.2 million in cash, cash equivalents, and short-term investments, \$17.9 million in accounts, notes, and interest receivable, \$7.3 million in amounts due from the commonwealth, \$24.1 million in prepaid expenses, and \$1.3 million in inventories. The \$3.8 million increase in current assets was primarily attributable to an increase of \$8.7 million in cash, cash equivalents, and short-term investments, and an increase of \$3.6 million in accounts receivable, offset largely by a decrease of \$7.2 million in prepaid expenses.

The increase in cash and cash equivalents was the operational movement of funds between short-term and long-term holdings. The decrease in prepaid expenses of \$7.2 million was largely due to consulting prepayments and IT contracts prepaid in fiscal year 2017 for projects completed during the current fiscal year.

Current assets cover current liabilities 1.59 times, an indicator of sound liquidity and the ability to weather short-term demands on working capital. Current assets also cover over 3 months of total operating expenses, excluding depreciation. For fiscal year 2018, one month of operating expenses equaled \$94 million.

### Capital Assets, Net of Accumulated Depreciation

The overall decrease of \$5.7 million in net capital assets was due to changes across various capital asset categories. The following table compares fiscal year 2018 to fiscal year 2017 capital asset balances by category:

#### **Summary of Capital Assets, net**

*(in thousands)*

	2018	2017	Increase (Decrease)	
			Amount	Percentage
Land	\$ 70,515	\$ 70,139	\$ 376	0.54%
Construction in progress	30,514	37,557	(7,043)	(18.75)%
Land improvements	36,460	37,518	(1,058)	(2.82)%
Infrastructure	40,549	42,312	(1,763)	(4.17)%
Building	1,112,021	1,101,459	10,562	0.96%
Equipment and historical treasures	56,651	60,288	(3,637)	(6.03)%
Intangibles	3,897	5,485	(1,588)	(28.95)%
Library books	9,121	10,649	(1,528)	(14.35)%
<b>TOTAL</b>	<b>\$ 1,359,728</b>	<b>\$ 1,365,407</b>	<b>\$ (5,679)</b>	<b>(0.42)%</b>

Construction in Progress (CIP) decreased due to reclassifying completed projects to applicable depreciable and non-depreciable asset categories at DCC, J. Sargeant Reynolds Community College (JSRCC) and Patrick Henry Community College (PHCC). Depreciable land improvements, infrastructure, equipment, library books and intangibles all decreased from current year depreciation being greater than current year additions. Land and buildings increased due to reclassifying completed projects from CIP to a non-depreciable asset category and the donation of land at both Paul D. Camp Community College (PDCCC) and Thomas Nelson Community College (TNCC).

### Other Non-Current Assets

The \$12.5 million increase in other non-current assets was predominately due to the implementation of GASB 75 resulting in a new postemployment benefit asset of \$16.7 million. This increase was offset slightly

by decreases in non-current cash and cash equivalents, restricted cash and other long-term investments of \$3.4 million from the operational movement of funds between short and long-term holdings.

Cash equivalents held with trustees consists of balances in State Non-Arbitrage Program (SNAP) accounts related to pooled bond capital projects. The overall balance decreased by \$4.5 million in fiscal year 2018 as payments continued on various pooled bond projects. The balance in appropriation available consists of General and Central Capital Planning funds for capital projects. The balance consists of funds received for the system-wide Maintenance Reserve Project and the renovation of the Godwin Building on the Annandale Campus of NVCC.

#### Deferred Outflows of Resources

Deferred outflows of resources category reports consumption of resources applicable to a future reporting period. The balances reported for fiscal years 2017 and 2018 included amounts for certain pension changes and will be recognized as pension expense in future fiscal years. In addition, the balances for both fiscal years included deferred losses on defeasance of debt related to refinancing of certain pooled bond issuances and will also be recognized as expense in future fiscal years.

#### Current Liabilities

Current liabilities consist of accounts and retainage payable of \$43.4 million, accrued payroll expense of \$51.4 million, unearned revenue of \$54.1 million, long-term obligations (current portion) of \$29.8 million, and deposits totaling \$8.6 million.

Current liabilities decreased by \$9.1 million in fiscal year 2018 primarily due to decreases of \$10.1 million in accounts and retainage payable and small increases in other categories.

#### Non-Current Liabilities

Beginning in fiscal year 2018, with the implementation of a new GASB Statement 75 (GASB 75), the Commonwealth began providing information on the measurement of assets and benefit obligations for the Commonwealth's Optional Post Employment Benefit plan (OPEB). This liability, along with the VRS pension liability, fluctuates each year based on many factors including rate of return on retirement investments, changes to actuarial assumptions, etc. The impact of this new standard was an additional \$182.1 million pension-related liability for the VCCS.

Non-Current liabilities consist of a net pension obligation of \$487.3 million, the net OPEB obligation of \$182 million, capital lease liabilities of \$1.4 million, pooled bonds of \$104.1 million, accrued leave of \$10.6 million, and federal loan program amounts due of \$4 million. The increase of \$89 million in non-current liabilities was primarily due to the recording of the VCCS' proportionate share of the Commonwealth's overall OPEB liability of \$182.1 million, which is a new requirement under GASB 75 for fiscal year 2018. This increase was offset by a reduction the VCCS' proportionate share of the overall VRS pension liability of \$86.5 million, along with other reductions in pooled bond debt, compensated absences and other non-current liabilities.

#### Deferred Inflows of Resources

The financial statement deferred inflows of resources category is used to report acquisition of resources applicable to a future reporting period. The balance in fiscal year 2018 reflects certain amounts related to pensions and will impact pension expense in future fiscal years.

#### Net Position

The small decrease in net investment in capital assets is explained by changes in capital assets, net of accumulated depreciation and in capital asset related debt as well as deferred outflow balances.

The decrease of \$162 million in the unrestricted net position category is the result of several factors. The implementation of GASB 75 resulted in a beginning balance reduction of \$187.5 million. This was offset by a \$25.5 million increase in overall operations. The balance in total net position is a residual amount equal to the sum of total assets and deferred outflows of resources less the sum of total liabilities and deferred inflows of resources and is considered one measure of the current financial condition of an organization.

### Statement of Revenues, Expenses and Changes in Net Position

The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to present operating and non-operating revenues received by the institution, operating and non-operating expenses incurred and any other revenues, expenses, gains and losses. Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position.

A summarized statement of revenues, expenses and changes in net position follows:

#### **Summary of the Statement of Revenues, Expenses and Changes in Net Position For the year ended June 30:**

*(in thousands)*

	2018	2017 *	Increase (Decrease)	
			Amount	Percentage
Operating revenue	\$ 514,235	\$ 524,553	\$ (10,318)	(1.97)%
Operating expenses	1,190,742	1,189,216	1,526	0.13%
<b>Operating loss</b>	<b>(676,507)</b>	<b>(664,663)</b>	<b>(11,844)</b>	<b>(1.78)%</b>
Non-operating revenues and expenses	637,387	653,210	(15,823)	(2.42)%
Income (loss) before other revenues, expenses, gains or losses	(39,120)	(11,453)	(27,667)	(241.57)%
Other revenues	61,814	54,323	7,491	13.79%
<b>Increase in net position</b>	<b>22,694</b>	<b>42,870</b>	<b>(20,176)</b>	<b>(47.06)%</b>
<b>Net position, beginning of year as restated</b>	<b>746,009</b>	<b>890,623</b>	<b>(144,614)</b>	<b>(16.24)%</b>
<b>Net position, end of year</b>	<b>\$ 768,703</b>	<b>\$ 933,493</b>	<b>\$ (164,790)</b>	<b>(17.65)%</b>

June 30, 2017 amounts have been restated for audit adjustments (see footnote 1-R). However, the 2017 column has not been adjusted to reflect the impact on balances related to implementation of GASB 85.



The following table is a more detailed representation and comparison of amounts included in operating, non-operating, and other (capital) revenues during the periods ended June 30, 2018 and 2017:

**Summary Statement of Revenues  
for the year ended June 30:**

(in thousands)

	2018	2017	Increase (Decrease)	
			Amount	Percentage
Operating revenues				
Student tuition and fees, net	\$ 358,697	\$ 367,761	\$ (9,064)	(2.46)%
Grants and contracts	113,174	112,653	521	0.46%
Auxiliary enterprises, net	26,356	26,592	(236)	(0.89)%
Other operating revenue**	16,008	17,547	(1,539)	(8.77)%
<b>Total Operating Revenues</b>	<b>514,235</b>	<b>524,553</b>	<b>(10,318)</b>	<b>(1.97)%</b>
Non-operating activity				
State operating appropriations	438,353	438,036	317	0.07%
Local operating appropriations	2,722	2,442	280	11.47%
Grants and gifts	207,180	205,086	2,094	1.02%
Investment income	1,889	959	930	96.98%
Interest expense	(3,866)	(3,975)	109	2.74%
Other	(8,891)	10,662	(19,553)	(183.39)%
<b>Total net non-operating revenue</b>	<b>637,387</b>	<b>653,210</b>	<b>(15,823)</b>	<b>(2.42)%</b>
Other revenues (capital)				
Capital appropriations-state	47,637	40,441	7,196	17.79%
Capital appropriations-local	8,380	7,695	685	8.90%
Capital gifts and grants	5,797	6,187	(390)	(6.30)%
<b>Total other revenues (capital)</b>	<b>61,814</b>	<b>54,323</b>	<b>7,491</b>	<b>13.79%</b>
<b>Total revenues</b>	<b>\$ 1,213,436</b>	<b>\$ 1,232,086</b>	<b>\$ (18,650)</b>	<b>(1.51)%</b>

\*\* Includes sales/services of education department and miscellaneous other revenues

Operating Revenues

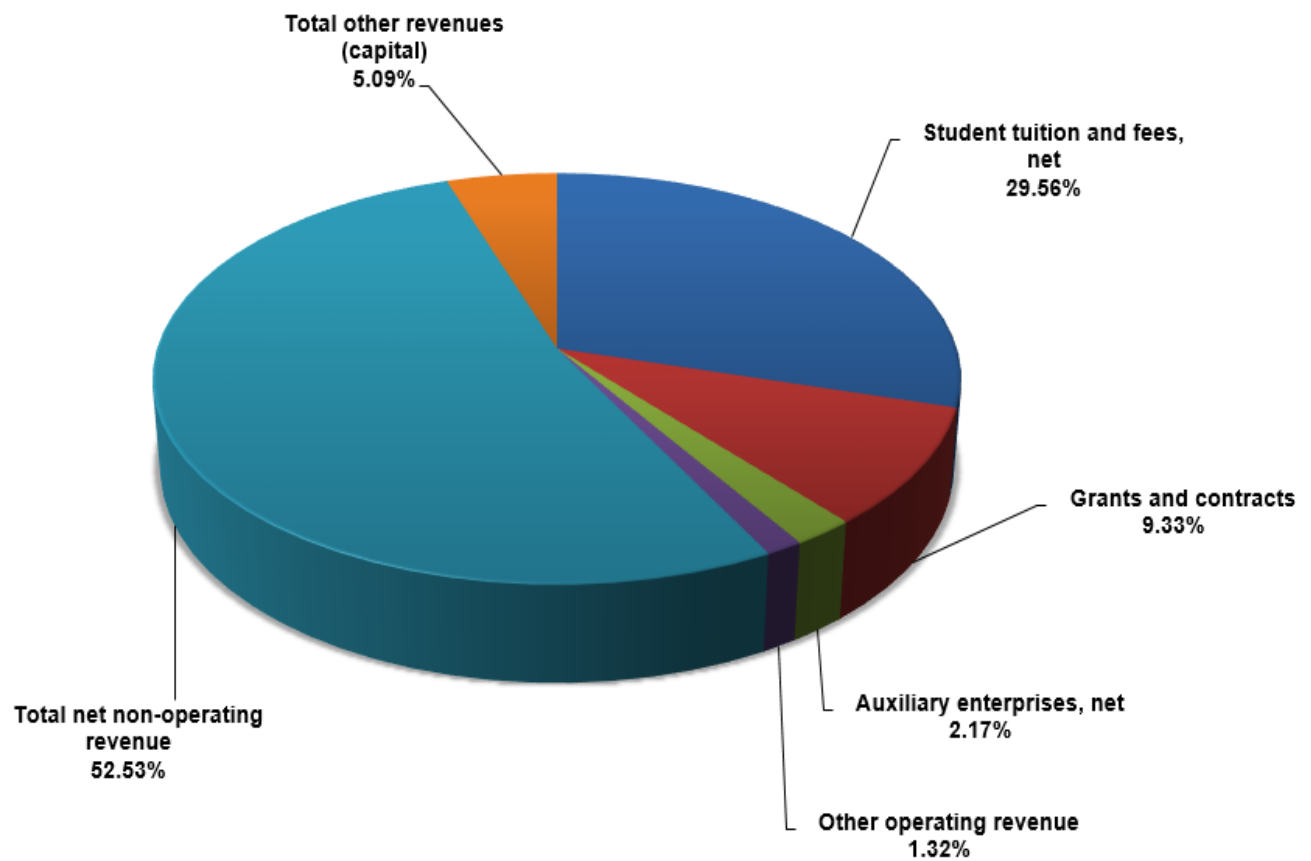
Total operating revenues remained relatively constant as compared to the prior year with a slight decrease of 1.97%. Gross student tuition and fee revenues (before scholarship discounts and allowances) declined by \$5.7 million. Increased revenue from higher tuition and fee rates was offset by decreased revenue due to declining enrollment. Net tuition and fees revenue also decreased by 2.46% primarily due to an increase in scholarship discounts and allowances applied against tuition and fees in fiscal year 2018 as compared to fiscal year 2017.

Non-operating and Other Revenues

Total net non-operating revenue (non-operating and other) decreased by \$15.8 million primarily as a result of a special contribution of \$14 million to the Virginia Retirement System paid from the Commonwealth on behalf of State agencies in fiscal year 2017 that did not occur in fiscal year 2018.

A graphic presentation of fiscal year 2018 revenues by source (per the Statement of Revenues, Expenses and Changes in Net Position) is below.

### Total Revenue - By Source



The following table is a detailed breakdown of operating expenses by function and a comparison of changes by category for the periods ended June 30, 2018 and 2017:

**Summary Statement of Expenses by Function  
for the year ended June 30:**

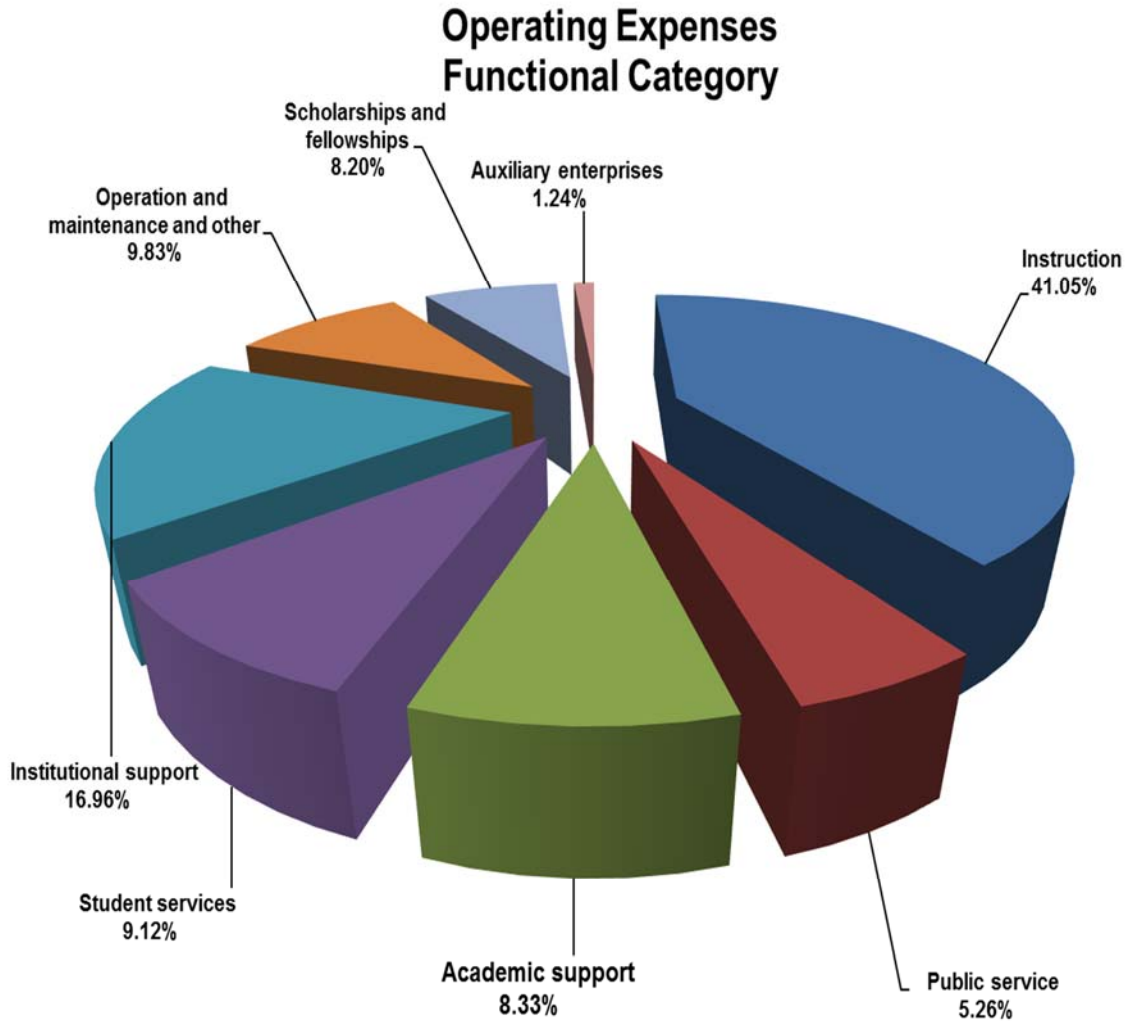
*(in thousands)*

	2018	2017	Increase (Decrease)	
			Amount	Percentage
<b>Operating expenses:</b>				
Instruction	\$ 488,957	\$ 484,058	\$ 4,899	1.01%
Public service	62,552	64,794	(2,242)	(3.46)%
Academic support	99,274	110,453	(11,179)	(10.12)%
Student services	108,737	107,000	1,737	1.62%
Institutional support	202,098	192,154	9,944	5.18%
Operation and maintenance	116,520	117,013	(493)	(0.42)%
Scholarships and fellowships	97,372	98,388	(1,016)	(1.03)%
Auxiliary enterprises	14,768	15,038	(270)	(1.80)%
Other expenses	464	318	146	45.91%
<b>Total operating expenses</b>	<b>\$ 1,190,742</b>	<b>\$ 1,189,216</b>	<b>\$ 1,526</b>	<b>0.13%</b>

Operating Expenses

Operating expenses totaled approximately \$1.19 billion for fiscal 2018 a slight increase of \$1.5 million. The natural expense category, compensation and benefits, comprised \$722 million of total VCCS operating expenses and remained relatively constant. Scholarship expenses declined slightly by \$1 million as a result of decreased enrollment coupled with reduced federal grant funding. The net change across the other natural expense categories (i.e. utilities, depreciation, and supplies, services, and other expenses) was an increase of \$28.5 million (8.38%). The main driver for this increase was the implementation of GASB 75 in fiscal year 2018.

A graphic presentation of fiscal year 2018 operating expenses by function (per the Statement of Revenues, Expenses and Changes in Net Position) is below.



## Statement of Cash Flows

The Statement of Cash Flows provides additional information about the financial results of the VCCS by reporting the major sources and uses of cash.

### **Summary Statement of Cash Flows**

**for the year ended June 30:**

*(in thousands)*

	<b>For the year ended June 30:</b>			
	<b>2018</b>	<b>2017</b>	<b>\$ Change</b>	<b>% Change</b>
Cash received from operations	\$514,673	\$521,677	(7,004)	(1.34)%
Cash used in operations	1,138,235	1,144,414	(6,179)	(0.54)%
Net cash used in operations	<u>(\$623,562)</u>	<u>(\$622,737)</u>	<u>(825)</u>	<u>(0.13)%</u>
Net cash provided by non-capital financing activities	\$632,513	\$648,645	(16,132)	(2.49)%
Net cash used in capital and related financing activities	(5,569)	(17,460)	11,891	68.10%
Net cash provided by (used in) investing activities	364	(36,504)	36,868	101.00%
Net increase (decrease) in cash and cash equivalents	<u>\$3,746</u>	<u>(\$28,056)</u>	<u>31,802</u>	<u>113.35%</u>
Cash and cash equivalents, beginning of year	<u>\$244,710</u>	<u>\$272,766</u>		
Cash and cash equivalents, end of year	<u>\$248,456</u>	<u>\$244,710</u>		

The primary sources of cash for the VCCS included tuition and fees of \$360.1 million, operating grants and contracts of \$112.4 million, and auxiliary revenues of \$26.4 million. The primary uses of operating cash included employee salaries, wages, fringe benefits and pension benefits of \$733.8 million, operating expenses (payments to suppliers/others and utilities) of \$304.4 million and scholarships of \$99.9 million. Net cash used in operations is significantly greater than the cash received from operations on this statement due to the required presentation of state appropriation and grants/gifts as cash flows from non-capital financing activities. Net cash flows from capital and related financing activities increased \$11.9 million due primarily to an increase of \$14.6 in state and local capital appropriations offset by a decrease of \$2.9 million in cash disbursements for capital asset purchases. Net cash provided by (used in) investing activities increased \$36.9 million as investment purchases were \$20.1 million lower in fiscal year 2018 and were offset by a comparable amount from the sale of investments. The overall increase in cash and cash equivalents was \$3.7 million at the end of fiscal year 2018.

## ***Economic Outlook***

In fiscal year 2018, the Commonwealth predicted a 3.5% increase in general fund revenues and actually collected at a rate that was 5.4% above fiscal year 2017. In response to revenue shortfalls in previous years, the Commonwealth permanently reduced the VCCS general fund by approximately \$75.5 million between fiscal years 2008 and 2012; however, as of the fiscal year 2019 budget, \$79 million has been added since that time. The fiscal year 2019 general fund budget, though, was reduced by \$13.9 million from fiscal year 2018. The net effect for fiscal year 2019 is that VCCS general funds are \$3.5 million below the level attained in fiscal year 2008.

The State Board for Community Colleges has noted its intention to keep VCCS tuition and mandatory fees at less than half the rates of public four year institutions in Virginia. The VCCS' rate in fiscal year 2019 will be 34.6% of the average of the four-year institutions for total tuition and mandatory fees.

Effective with the fall 2018 session, the State Board for Community Colleges approved a tuition increase of \$3.75 per credit hour applicable to all students. Within the VCCS, eight colleges have tuition differential rates ranging from \$1.00 per credit hour to \$29.05 per credit hour. The VCCS estimates that the tuition rate increases will generate approximately \$11 million in additional tuition and deferred revenues in fiscal year 2019, assuming a 2.05% decline in FTEs.

Chapter 2, 2018 Virginia Acts of Assembly, authorized the funding to provide the equipment purchases for two VCCS projects for which construction funding was previously provided.

The VCCS capitalized construction expenses totaling \$38.3 million during fiscal year 2018. These costs primarily included some projects that are still in progress, but also included several projects that were completed during fiscal year 2018. Construction costs for projects completed during fiscal year 2018 totaled \$45 million.

The VCCS entered into contractual commitments for capital projects totaling \$114.3 million prior to June 30, 2018. Expenses processed against these commitments during fiscal year 2018 totaled \$54.5 million, leaving an unpaid commitment balance of \$59.8 million as of June 30, 2018.

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***CONSOLIDATED  
FINANCIAL  
STATEMENTS***

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**Virginia Community College System**  
**Consolidated**  
**Statement of Net Position**  
**As of June 30, 2018**

	<u>VCCS</u>	<u>Component Units Foundations</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	239,776,247	15,013,298
Appropriation available		
Short term investments (Note 2)	7,419,927	7,518,612
Accounts receivable, net (Note 3)	15,905,697	314,446
Pledges receivable (Note 3)		6,051,267
Due from commonwealth (Note 4)	7,295,283	
Interest receivable	402,098	327,584
Prepaid expenses	24,076,258	46,375
Inventories	1,319,902	5,762
Notes receivable, net (Note 3)	1,543,708	203,001
<b>Total Current Assets</b>	<u>297,739,120</u>	<u>29,480,345</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	2,507,603	
Cash equivalents with trustees (Note 2)	6,156,948	
Endowment cash and cash equivalents (Note 2)	36,166	6,122,866
Appropriation available	802,353	
Endowment investments (Note 2)		169,984,174
Other long-term investments (Note 2)	74,981,670	84,086,174
Accounts receivable, net (Note 3)		340,652
Investments in real estate (Note 2)		2,187,433
Pledges receivable (Note 3)		7,565,535
Due from commonwealth (Note 4)	7,384,134	
Notes receivable, net (Note 3)	1,572,315	684,858
Post employment benefit assets	16,659,000	
Non-depreciable capital assets, net (Note 5)	101,177,105	6,397,172
Depreciable capital assets, net (Note 5)	1,258,550,880	17,418,220
<b>Total Noncurrent Assets</b>	<u>1,469,828,174</u>	<u>294,787,084</u>
<b>Total Assets</b>	<u>1,767,567,294</u>	<u>324,267,429</u>
<b>Deferred Outflows of Resources</b> (Note 8)	74,901,921	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>1,842,469,215</u>	<u>324,267,429</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	43,425,492	2,337,155
Accrued payroll expense	51,358,000	169,400
Unearned revenue	54,094,555	168,157
Long-term liabilities-current portion (Note 9)	29,810,821	627,866
Securities lending obligation	20,515	
Due to Commonwealth		
Deposits	8,551,342	2,081,098
<b>Total Current Liabilities</b>	<u>187,260,725</u>	<u>5,383,676</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue	65,300	
Long-term liabilities (Note 9)	118,170,602	7,156,369
Due to federal government (Note 9)	3,306,681	
Pension and post employment benefit obligations (Note 9)	669,350,806	
<b>Total Noncurrent Liabilities</b>	<u>790,893,389</u>	<u>7,156,369</u>
<b>Total Liabilities</b>	<u>978,154,114</u>	<u>12,540,045</u>
<b>Deferred Inflows of Resources</b> (Note 17)	95,612,341	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>1,073,766,455</u>	<u>12,540,045</u>



**Virginia Community College System  
Consolidated  
Statement of Net Position  
As of June 30, 2018**

	VCCS	Component Units Foundations
<b>Net Position</b>		
Net investment in capital assets	1,252,677,979	16,782,160
Restricted for:		
Nonexpendable	7,990	97,992,672
Expendable	16,103,248	115,713,113
Unrestricted	(500,086,457)	81,239,439
<b>Total Net Position</b>	768,702,760	311,727,384

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

**Consolidated**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Component Units</b>	
	<b>VCCS</b>	<b>Foundations</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$171,942,013)	358,697,203	
Federal grants and contracts	94,329,681	
State and local grants	5,597,125	799,016
Nongovernmental grants	13,246,937	4,221,437
Sales/services of education department	107,909	
Auxiliary enterprises (net of scholarship allowance of \$1,556,997)	26,356,106	
Gifts and contributions		23,221,047
Endowment income		17,516,846
Other operating revenues	15,900,172	5,976,719
<b>Total Operating Revenue</b>	<b>514,235,133</b>	<b>51,735,065</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	488,956,589	1,436,975
Public service	62,551,655	1,179,887
Academic support	99,273,746	7,459,423
Student services	108,737,537	345,736
Institutional support	202,097,723	9,739,743
Operation and maintenance	116,519,630	1,016,046
Scholarships and fellowships	97,372,451	10,696,386
Auxiliary enterprises	14,768,491	
Fundraising		2,770,276
Other expenses	463,680	664,362
<b>Total Operating Expenses (Note 12)</b>	<b>1,190,741,502</b>	<b>35,308,834</b>
<b>Operating Income (Loss)</b>	<b>(676,506,369)</b>	<b>16,426,231</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	438,352,593	
Local appropriations	2,722,043	
Grants and gifts	207,180,019	
Investment income	1,888,527	6,702,442
Interest on capital asset related debt	(3,866,443)	
Other nonoperating revenue (expense)	(8,890,763)	
<b>Net Nonoperating Revenue</b>	<b>637,385,976</b>	<b>6,702,442</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(39,120,393)</b>	<b>23,128,673</b>
Capital appropriations-state (Note 20)	47,636,363	
Capital appropriations-local	8,380,315	
Capital gifts, grants and contracts	5,797,357	111,747
Additions to permanent and term endowments		12,402,417
<b>Increase (Decrease) in Net Position</b>	<b>22,693,642</b>	<b>35,642,837</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>746,009,118</b>	<b>276,084,547</b>
<b>Net Position end of year</b>	<b>768,702,760</b>	<b>311,727,384</b>

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

**Virginia Community College System**  
**Consolidated**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

**Cash flows from operating activities:**

Tuition and fees	360,082,970
Grants and contracts	112,394,671
Payments to suppliers and others	(286,690,812)
Payments for employee wages	(549,804,643)
Payments for employee fringes and pension benefits	(184,007,695)
Payment for scholarships	(99,869,049)
Payments for utilities	(17,740,608)
Sales and services of education department	107,909
Auxiliary	26,387,909
Loans issued to students	(122,530)
Loans collected from students	629,418
Other	15,070,248
Net cash used by operating activities	<u>(623,562,212)</u>

**Cash flows from non-capital financing activities:**

State appropriations	438,352,593
Local appropriations	2,722,043
Grants and gifts	200,524,560
Agency receipts	12,615,687
Agency disbursements	(12,193,038)
PLUS, Stafford and Direct Lending loan receipts	116,710,468
PLUS, Stafford and Direct Lending loan disbursements	(117,093,449)
Borrowings	4,000,000
Loan repayments	(4,658,051)
Other non-operating revenue(expense)	(8,467,147)
Net cash provided (used) by non-capital financing activities	<u>632,513,666</u>

**Cash flows from capital and related financing activities:**

Capital appropriations-state	50,187,690
Capital appropriations-local	8,380,315
Capital grants and gifts	5,214,469
Purchase capital assets	(56,679,770)
Proceeds from sale of capital assets	239,412
Proceeds from bond issue	-
Debt interest payments	(5,276,509)
Debt principal payments	(7,635,014)
Net cash provided (used) by capital financing activities	<u>(5,569,407)</u>

**Cash flows from investing activities:**

Purchases of investments	(40,746,576)
Sale of investments	38,641,368
Investment income	2,469,261
Net cash provided (used) by investing activities	<u>364,053</u>

**Net increase (decrease) in cash and cash equivalents**

3,746,100

Cash and cash equivalents, beginning of year

244,710,349

**Cash and cash equivalents, End of Year**

248,456,449

**Virginia Community College System  
Consolidated  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(676,506,369)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	59,326,431
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and accounts receivable, net	5,133,561
Prepaid expenses and other	7,311,094
Post employment benefits asset	(2,604,000)
Accrued compensation and leave	(1,191,913)
Accounts payable and other	(9,210,818)
Unearned revenue	2,475,180
Deposits pending distribution	(539,200)
Pension liability	(83,467,000)
Post employment benefits liability	(19,483,124)
Deferred inflows of resources related to pensions and post employment benefits	70,515,341
Deferred outflows of resources related to pensions and post employment benefits	24,678,605
<b>Net cash used in operating activities</b>	<u><u>(623,562,212)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	248,476,964
Less: Securities Lending Cash Equivalents	20,515
Cash and cash equivalents end of year	<u><u>248,456,449</u></u>
<b>Noncash transactions</b>	
Donated fixed assets	582,888
Debt principal and interest payments made by Treasury	739,723
Amortization of bond premium	1,151,130
Capitalized bond interest costs	129,231
Amortization of deferral on debt defeasance	(327,797)

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

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***NOTES TO THE  
FINANCIAL  
STATEMENTS***

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# VIRGINIA COMMUNITY COLLEGE SYSTEM

## NOTES TO FINANCIAL STATEMENTS

As of June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Virginia Community College System (VCCS) was established as an institution of higher education in 1965. The System includes the State Board for Community Colleges, a System Office located in Richmond, a newly formed Shared Service Center and twenty-three community colleges located on forty campuses throughout the Commonwealth.

The Shared Service Center (SSC) was established to process administrative transactions. Located in Daleville, Virginia, the SSC supports the VCCS mission by providing customer service and administrative services to the 23 community colleges and System Office. These services include administrative functions in the areas of human resources, fiscal services, payroll, and procurement. The costs associated with the SSC were allocated to the 23 community colleges and System Office beginning in fiscal year 2018.

The State Board for Community Colleges is the governing body and is charged with the responsibility to establish, control, and administer a statewide system of publicly supported comprehensive community colleges. The System therefore functions as a statewide institution of higher learning.

The accompanying financial statements include all of the individual community colleges and the System Office under the control of the State Board for Community Colleges.

The System is a discrete component unit of the Commonwealth of Virginia and is included in the general-purpose financial statements of the Commonwealth. A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

#### B. Community College Foundations

The community college foundations are legally separate, tax-exempt organizations formed to promote the achievements and further the aims and purposes of the colleges. The foundations accomplish their purposes through fundraising and funds management efforts that benefit the colleges and their programs. Although the colleges do 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 colleges by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of the colleges, the foundations are considered discrete component units.

During the year ended June 30, 2018, the foundations distributed \$12,305,113 to the colleges for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained by writing the VCCS Office of Fiscal Services, 300 Arboretum Place, Suite 200, Richmond, VA 23236.

C. Financial Statement Descriptions

The three financial statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the VCCS at the end of the fiscal year and also provides the amount of net position and the availability for expenditure. The Statement of Revenues, Expenses, and Changes in Net Position presents operating and non-operating revenues received by the institution, operating and non-operating expenses incurred and any other revenues, expenses, gains and losses. The Statement of Cash Flows provides additional information about the financial results of the VCCS by reporting the major sources and uses of cash.

D. Basis of Accounting

For financial reporting purposes, the VCCS is considered a special purpose government engaged in only business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All material internal transactions have been eliminated.

Revenues and expenses of the summer academic term occur within two fiscal years, because the term extends from May through August and the fiscal year ends on June 30. Expenses and an equal amount of revenue have been reported in the current period for the portion of the summer academic term from May 16 through June 30, 2018.

The community college foundations are private, nonprofit organizations that report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB.

The financial statements for the community college foundations are for the year ending June 30, 2018 except for Dabney S. Lancaster, Eastern Shore, Germanna, Lord Fairfax, Mountain Empire, New River, Piedmont, Tidewater (Educational and Real Estate Foundations), Virginia Western, and Wytheville (Educational and Scholarship Foundations) which are as of December 31, 2017.

E. Prepaid Assets

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

F. Inventories

Inventories are stated at cost (primarily first-in, first-out method) and consist mainly of goods purchased for resale and expendable supplies.

G. Cash Equivalents and Investments

Cash equivalents maintained by the VCCS are investments with original maturities of less than three months. Investments in money market accounts and in Commonwealth sponsored investment pools are reported at amortized cost. All other investments are reported at fair market value, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended

by GASB Statement 72, *Fair Value Measurement and Application*. GASB Statement 72 provides guidance for determining fair value measurements using the level of fair value hierarchy and valuation techniques.

H. Capital Assets

Plant assets consisting of land, buildings, infrastructure, equipment, library books, intangible assets, and construction in progress are stated at appraised historical cost or actual cost where determinable. Improvements to buildings, infrastructure and land that significantly increase the usefulness, efficiency or life of the asset are capitalized. Routine maintenance and repairs are charged to operations when incurred. Interest expense relating to construction is capitalized. Donated assets are recorded at acquisition value at the date of donation. The fixed asset values presented in these financial statements are extracted from the financial data maintained by the System's Administrative Information System (AIS). Expenses for equipment are capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is one year or more. Occupancy permits are used to determine when to reclassify buildings from construction-in-progress. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 3 to 25 years for equipment, 10 years for library books, and 5 to 10 years for intangible assets - computer software.

I. Accrued Compensated Absences

The amount of leave earned but not taken by all classified employees, administrative/professional faculty, teaching faculty, and presidents is recorded as a liability on the balance sheet. The amount reflects, as of June 30, all unused annual leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. Also included in the liability is the System's share of the FICA taxes on leave balances for which employees will be compensated.

J. Unearned Revenues

Unearned revenue represents revenues collected but not earned as of June 30. This consists primarily of revenue for student tuition and certain auxiliary activities accrued in advance of the semester, and advance payments on grants and contracts.

K. Deposits

Deposits represent funds held by the VCCS on behalf of others as a result of agency relationships with various groups and organizations.

L. Pensions

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



are recognized when due and payable in accordance with the benefit terms. Investments held by VRS are reported at fair value.

M. Post-Employment Benefits

**Plans administered by the VRS**

***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.

***Group Life Insurance Program***

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

***Line of Duty Act Program***

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

***Virginia Sickness and Disability 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 OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB plans, and OPEB expense, information about the fiduciary net position of the Virginia Retirement System's (VRS) administered OPEB Plans and the additions to/deductions from the 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.

**Plan administered by the Department of Human Resource Management**

***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. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB plans, and OPEB expense, information about the fiduciary net position of the Department of Human Resource Management administered OPEB Plans and the additions to/deductions from the OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by DHRM. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms.

N. Classification of Revenues and Expenses

The VCCS has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues include activities that have the characteristics of exchange transactions, such as tuition and fees, sales and services of auxiliary enterprises, most federal, state and local grants and contracts, and interest on student loans.

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations and investment income.

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

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

P. Deferred Inflows and Outflows of Resources

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

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

Q. Net Position

Net position balances are classified as follows:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted-nonexpendable: Restricted nonexpendable balances consist of endowment funds in which donors have stipulated, as a condition of the gifts that the principal is to remain inviolate in perpetuity.

Restricted-expendable: Restricted expendable balances include resources in which the VCCS is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted: Unrestricted balances represent resources that may be used at the discretion of the governing board for any lawful purpose.

When an expense is incurred that can be paid from either restricted or unrestricted resources, it is the policy of the VCCS to first apply the expense towards restricted resources and then towards unrestricted resources.

R. Restatements

Statement of Revenue, Expenses, and Changes in Net Position:

Net Position as of June 30, 2017 – previously reported	\$933,493,048
Change in accounting principle (GASB 75 implementation) **	<u>(187,483,930)</u>
Net Position as of July 1, 2017 – as restated	<u>\$746,009,118</u>

Community College Foundations

Statement of Revenues, Expenses, and Changes in Net Position:

Net Position as of June 30, 2017 - previously reported	\$276,190,711
Community Colleges of Virginia Educational Foundation - understated	
Institutional Support expenses	<u>(106,164)</u>
Net Position as of July 1, 2017 - as restated	<u>\$276,084,547</u>

\*\*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans

**2. CASH AND INVESTMENTS**

Cash and Cash Equivalents

Cash equivalents maintained by the VCCS are investments with original maturities of less than three months.

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all state funds of the VCCS are maintained by the Treasurer of Virginia who is responsible for the collection, disbursement, custody, and investment of state funds.

## Deposits

Local cash deposits with banks and savings institutions not with the Treasurer of Virginia are covered by federal depository insurance or collateralized in accordance with the Virginia Security of Public Deposits Act, Section 2.2-4400 et seq., *Code of Virginia*. Deposits covered by the Virginia Security of Public Deposits Act totaled \$50,257,497 at June 30, 2018.

## Investments

Certain deposits and investments are held by the VCCS. Such investments are reported separately from cash and cash equivalents. Investments represent securities with original maturities of more than three months and for which management intends to hold the securities to maturity.

Investments in money market accounts, non-negotiable certificates of deposit, the Virginia State Non-Arbitrage Program (SNAP) and the Local Government Investment Pool (LGIP) are reported at amortized cost. SNAP offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. This program 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 an NAV that approximates fair value. All other investments are reported at fair market value, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement 72, *Fair Value Measurement and Application*. GASB Statement 72 provides guidance for determining fair value measurements using the level of fair value hierarchy and valuation techniques.

Investments of the member colleges of the VCCS are limited to those allowed under Chapter 45, Investments of Public Funds Act, Sections 2.2-4500, 2.2-4501, 2.2-4509 and 2.2-4510 of the *Code of Virginia*. Commonwealth of Virginia law limits investments in stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth. Investments in United States agencies all carry the explicit guarantee of the United States government. Additionally, Virginia's community colleges may participate in the Local Government Investment Pool as authorized by Chapter 46 of the *Code of Virginia* and managed by the Commonwealth of Virginia Treasury Board. Authorized investments in the Local Government Investment Pool are limited to those set forth for local officials in Chapter 45, Sections 2.2-4500 of the *Code of Virginia*. The LGIP is managed in accordance with the requirements of GASB Statement 79 and investments are reported at amortized cost.

## Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. VCCS has no investments exposed to custodial credit risk for 2018.

## Interest Rate Risk

Disclosure of the maturities of investments is required when the fair market value is adversely affected by changes in interest rates. Investments subject to interest rate risk are outlined in the accompanying chart.

### Credit Risk

Disclosure of the credit quality rating is required for investments exposed to the risk that an issuer or other counterparty will not fulfill its obligations. Investments subject to credit rate risk are outlined in the accompanying chart.

### Concentration of Credit Risk

Disclosure of any one issuer is required when it represents 5 percent or more of total investments. VCCS does not have such concentration of credit risk for 2018.

### Foreign Currency Risk

Disclosure is required for investments exposed to changes in exchange rates that will adversely affect the fair value of an investment or a deposit. VCCS has no investments or deposits subject to Foreign Currency Risk for 2018.

<u>Cash Equivalents</u>	<u>Value</u>	<u>Credit Rating</u>
Local Govt. Investment Pool	\$34,248,047	AAA
Non-Negotiable Cert. of Deposit	2,045,228	Not Rated
Repurchase Agreements	8,623,845	Not Rated
Mutual and Money Market Funds	7,266,216	Not Rated
State Non-arbitrage Program	6,156,948	AAAm
Total	<u>\$58,340,284</u>	

<u>Investment Type</u>	<u>Less than 1 year</u>	<u>1 - 5 Years</u>	<u>6 -10 Years</u>	<u>6/30/2018</u>	<u>S&amp;P Credit Rating</u>
Agency Mortgage Backed Securities	-	\$8,680,070	\$134,577	\$8,814,647	AA+
Corporate Bonds	-	-	19,648	19,648	AAA
Corporate Bonds	\$200,517	1,205,301	-	1,405,818	AA+
Corporate Bonds	-	1,396,355	19,270	1,415,625	AA
Corporate Bonds	-	7,084,170	18,991	7,103,161	AA-
Corporate Bonds	-	571,041	-	571,041	A+
Corporate Bonds	-	2,850,271	-	2,850,271	A
Corporate Bonds	-	4,156,334	-	4,156,334	A-
Corporate Bonds	-	1,894,083	-	1,894,083	A-1
Corporate Bonds	-	1,000,639	-	1,000,639	BBB+
Corporate Bonds	-	1,621,353	-	1,621,353	BBB
Negotiable CDs	-	31,028,963	-	31,028,963	Not Rated
Municipal Securities	-	74,887	-	74,887	Not Rated
Municipal Securities	-	49,449	-	49,449	AAA
Municipal Securities	-	-	4,810	4,810	AA+
Municipal Securities	-	74,188	-	74,188	AA
Municipal Securities	-	49,819	-	49,819	AA-
Mutual Funds	1,147,125	996,732	-	2,143,857	Not Rated

U.S. Treasury and Agency Securities	589,619	11,736,203	314,516	12,640,338	Not Rated
Non-Negotiable CDs	5,482,666	-	-	5,482,666	Not Rated
Total	<u>\$7,419,927</u>	<u>\$74,469,858</u>	<u>\$511,812</u>	<u>\$82,401,597</u>	

### Fair Value Measurement

The following disclosures are made in accordance with GASB Statement 72 Fair Value Measurement and Application. This standard sets forth the framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy under GASB 72 are described as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

Fair Value Measurement Using:

	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3
Agency Mortgage Backed Securities	\$ -	\$ 8,814,647	-
Corporate Bonds	-	22,037,973	-
Negotiable Certificates of Deposit	-	31,028,963	-
Municipal Securities	-	253,153	-
Mutual and Money Market Funds	7,266,216	2,143,857	-
U.S. Treasury and Agency Securities	12,640,338	-	-
Repurchase Agreements	-	8,623,845	-
Total Investments measured at Fair Value	<u>\$19,906,554</u>	<u>\$72,902,438</u>	<u>-</u>

### Community College Foundations

The Foundations had the following cash, cash equivalents and investments as of June 30, 2018:

Cash and cash equivalents \$ 21,136,164

Investments:

Mutual funds and money markets	\$115,161,142
Stocks	92,875,334
Corporate bonds	25,334,255
UVA investment fund	9,182,518
U.S. government securities & bonds	7,052,427
Investment in real estate	2,588,668
Mortgage-backed securities	2,471,436
Certificates of deposits	2,128,423

Exchange traded funds	2,035,203
Municipal bonds	1,847,273
Split interest agreements	1,090,603
Partnership investments	796,544
Assets held for resale	416,220
Alternative investments	407,575
Cash surrender value of life insurance	388,772
Total investments	<u>\$263,776,393</u>

Some VCCS foundations had balances in bank and savings institutions that exceeded federally-insured limits. However, the foundations do not believe this poses any significant credit risk.

### 3. RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following receivables included an allowance for doubtful accounts at June 30, 2018:

Gross accounts receivable:	
Tuition and fees	\$ 10,685,583
Auxiliary enterprises	533,522
Federal, state, local and nongovernmental grants, gifts, contracts	2,838,138
Other activities	3,081,050
Total gross accounts receivable	<u>\$17,138,293</u>
Less: Allowance for doubtful accounts	<u>(1,232,596)</u>
Net accounts receivable	<u>\$15,905,697</u>
Gross Loans and notes receivable	\$ 3,347,145
Less: Allowance for doubtful accounts	<u>(231,122)</u>
Net loans and notes receivable	<u>\$ 3,116,023</u>

Receivables not expected to be collected within one year are \$1,572,315 in accounts, notes, and loans receivable.

#### Community College Foundations

The foundations have the following receivables as of June 30, 2018:

Gross accounts receivable	\$655,098
Less: Allowance for doubtful accounts	-
Net accounts receivable	<u>\$655,098</u>
Pledges receivable:	
Due in one year	\$6,307,329
Due in 1-5 years	7,361,495
Due in more than 5 years	734,895
Less: Allowance for doubtful accounts	(307,944)
Present value discount	(478,973)
Net pledges receivable	<u>\$13,616,802</u>
Gross loans and notes receivable	\$887,859
Less: Allowance for doubtful accounts	-
Net loans and notes receivable	<u>\$887,859</u>

Receivables not expected to be collected within one year are \$1,025,510 in notes and loans receivable and \$7,565,535 in pledges receivable.

#### 4. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional equipment and facilities. During fiscal year 2018, funding has been provided to the VCCS from three programs: general obligation bonds 9(b) and two programs (21<sup>st</sup> Century and Equipment Trust Fund) managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the VCCS and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The line items, Due from Commonwealth, Current and Noncurrent, on the Statement of Net Position, for the year ended June 30, 2018, represents the following pending reimbursements from the following programs:

Due from Commonwealth, Current	
VCBA Equipment Trust Fund program	\$4,559,030
General Obligation Bonds 9(b)	51,465
VCBA 21 <sup>st</sup> Century program	2,652,533
General Fund	32,255
Total Due from Commonwealth, Current	<u>\$7,295,283</u>
Due from Commonwealth, Noncurrent	
VCBA 21 <sup>st</sup> Century program	<u>\$7,384,134</u>
Total Due from Commonwealth, Noncurrent	<u>\$7,384,134</u>

#### 5. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land / Land Improvements	\$70,139,019	\$379,307	\$ (2,896)	\$70,515,430
Inexhaustible Works of Art	148,174	-	-	148,174
Construction in Progress	37,557,419	37,931,749	(44,975,667)	30,513,501
Total capital assets not being depreciated	<u>\$107,844,612</u>	<u>\$38,311,056</u>	<u>\$(44,978,563)</u>	<u>\$101,177,105</u>
Depreciable capital assets:				
Buildings	\$1,477,140,508	\$43,391,031	\$(316,920)	\$1,520,214,619
Infrastructure	76,470,157	1,610,042	(24,573)	78,055,626
Equipment	213,946,664	12,752,319	(11,077,836)	215,621,147
Land Improvements	94,090,484	2,270,146	-	96,360,630
Library Books	47,823,778	1,081,204	(1,902,986)	47,001,996



Intangible	47,038,623	12,650	(420,489)	46,630,784
Total other capital assets	\$1,956,510,214	\$61,117,392	\$(13,742,804)	\$2,003,884,802
Less accumulated depreciation for:				
Buildings	\$(375,681,722)	\$(32,826,165)	\$314,508	\$(408,193,379)
Infrastructure	(34,158,277)	(3,348,665)	-	(37,506,942)
Equipment	(153,806,363)	(15,743,945)	10,432,479	(159,117,829)
Land Improvements	(56,572,568)	(3,327,963)	-	(59,900,531)
Library Books	(37,174,841)	(2,609,506)	1,902,986	(37,881,361)
Intangible	(41,553,788)	(1,488,657)	308,565	(42,733,880)
Total accumulated depreciation	\$(698,947,559)	\$(59,344,901)	\$12,958,538	\$(745,333,922)
Other capital assets, net	\$1,257,562,655	\$1,772,491	\$(784,266)	\$1,258,550,880
Total capital assets, net	\$1,365,407,267	\$40,083,547	\$(45,762,829)	\$1,359,727,985

#### Community College Foundations

The foundations had the following capital assets as of June 30, 2018:

Non-depreciable capital assets:	
Land	\$5,720,700
Construction in Process	552,845
Works of art	123,627
Total nondepreciable capital assets	\$ 6,397,172
Depreciable capital assets:	
Buildings	\$20,829,526
Equipment	2,220,254
Site improvement	75,337
Total depreciable capital assets	\$23,125,117
Less: Accumulated depreciation	(5,706,897)
Depreciable capital assets, net	\$17,418,220
Total capital assets, net	\$23,815,392

#### 6. ACCOUNTS AND RETAINAGE PAYABLE

Accounts and retainage payable consisted of the following as of June 30, 2018:

	VCCS	Foundations
Vendors payable	\$41,411,462	\$2,337,155
Students payable	477,185	-
Retainage payable	1,522,324	-
Taxes payable	14,521	-
Total	\$43,425,492	\$2,337,155

#### 7. COMMITMENTS

At June 30, 2018, the VCCS had future contractual commitments totaling \$59,776,169. The System held \$1,522,324 as retainage payable on construction and architectural/engineering contracts for work performed. The retainage payable will be remitted to the various contractors upon satisfactory completion of the construction projects.

## 8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources on June 30, 2018, is summarized as follows:

Deferred Loss on Debt Defeasance	\$ 3,040,629
Pension	58,283,969
Post Employment Benefit	13,577,323
Total Deferred Outflows of Resources	<u>\$74,901,921</u>

## 9. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Debt:					
Capital leases	\$3,336,752	-	\$938,994	\$2,397,758	\$992,412
Notes payable:					
Installment purchases	2,532,153	-	191,020	2,341,133	346,506
Pooled bonds	118,584,629	-	7,656,130	110,928,499	6,805,000
Other notes payable	4,400,000	4,000,000	4,400,000	4,000,000	4,000,000
Total bonds, notes and capital leases	<u>\$128,853,534</u>	<u>\$4,000,000</u>	<u>\$13,186,144</u>	<u>\$119,667,390</u>	<u>\$11,843,919</u>
Other liabilities:					
Compensated absences	29,033,666	23,251,641	23,971,274	28,314,033	17,666,903
Pension Obligations	570,762,000	-	83,467,000	487,295,000	-
Postemployment Benefits	-	182,055,806	-	182,055,806	-
Federal loan program contributions	3,530,113	-	223,432	3,306,681	-
Total other liabilities	<u>\$603,325,779</u>	<u>\$205,307,447</u>	<u>\$107,661,706</u>	<u>\$700,971,520</u>	<u>\$17,666,903</u>
Total long-term liabilities	<u>\$732,179,313</u>	<u>\$209,307,447</u>	<u>\$120,847,850</u>	<u>\$820,638,910</u>	<u>\$29,510,821</u>

### Defeasance of Debt

In prior fiscal years, a portion of the VCBA Pooled Bonds, of which the VCCS has a share, has been defeased. Details relating to the current and prior years' defeasances are reported in the

Comprehensive Annual Financial Report of the Commonwealth. As of June 30, 2018 \$24,515,000 of VCCS defeased bonds is outstanding.

## 10. NOTES PAYABLE

Notes payable represent agreements with the Virginia College Building Authority (VCBA) to finance the following projects:

Parking garage for the Medical Education campus of Northern Virginia Community College - The balance is to be repaid in annual installments ranging from \$340,000 to \$530,000 with coupon rates ranging from 3% to 5% payable semiannually. The final installment of \$530,000 is due September 1, 2021. The outstanding balance at June 30, 2018 is \$2,145,496.

Parking deck for the Annandale Campus of Northern Virginia Community College - The balance is to be repaid in annual installments ranging from \$355,000 to \$400,000 with a coupon rate of 5% payable semiannually. The final installment of \$360,000 is due September 1, 2023. The outstanding balance at June 30, 2018 is \$2,474,224.

Parking garage for J. Sargeant Reynolds Community College - The balance is to be repaid in annual installments ranging from \$200,000 to \$325,000 with coupon rates ranging from 3% to 5% payable semiannually. The final installment of \$325,000 is due September 1, 2022. The outstanding balance at June 30, 2018 is \$1,543,607.

Student Center for Tidewater Community College Norfolk Campus - The balance is to be repaid in annual installments ranging from \$580,000 to \$1,095,000 with coupon rates ranging from 3% to 5% payable semiannually. The final installment of \$1,095,000 is due September 1, 2028. The outstanding balance at June 30, 2018 is \$10,831,790.

Workforce Training and Technology Center for J. Sargeant Reynolds Community College - The balance is to be repaid in annual installments ranging from \$30,000 to \$75,000 with an average coupon rate of 4.914% payable semiannually. The final installment of \$70,000 is due September 1, 2029. The outstanding balance at June 30, 2018 is \$762,393.

Student Center for Tidewater Community College Virginia Beach Campus – The balance is to be repaid in annual installments ranging from \$285,000 to \$1,035,000 with coupon rates ranging from 3% to 5% payable semiannually. The final installment of \$585,000 is due September 1, 2030. The outstanding balance at June 30, 2018 is \$17,726,033.

Student Center for Tidewater Community College Chesapeake Campus - The balance is to be repaid in annual installments ranging from \$345,000 to \$725,000 with coupon rates ranging from 3% to 5% payable semiannually. The final installment of \$415,000 is due September 1, 2030. The outstanding balance at June 30, 2018 is \$12,444,392.

Academic Building for Tidewater Community College Chesapeake Campus - The balance is to be repaid in annual installments ranging from \$170,000 to \$325,000 with an average coupon rate of 4.969% payable semiannually. The final installment of \$325,000 is due September 1, 2024. The outstanding balance at June 30, 2018 is \$2,246,310.

Student Center for Blue Ridge Community College Weyers Cave Campus - The balance is to be repaid in annual installments ranging from \$335,000 to \$660,000 with a coupon rate of 3.12% payable semiannually. The final installment of \$660,000 is due September 1, 2030. The outstanding balance at June 30, 2018 is \$7,325,729.

Student Center for Tidewater Community College Portsmouth Campus - The balance is to be repaid in annual installments ranging from \$520,000 to \$1,065,000 with a coupon rate of 3.12% payable semiannually. The final installment of \$1,065,000 is due September 1, 2030. The outstanding balance at June 30, 2018 is \$11,845,204.

Student Center for Virginia Western Community College - The balance is to be repaid in annual installments ranging from \$200,000 to \$465,000 with an average coupon rate of 4.23% payable semiannually. The final installment of \$465,000 is due September 1, 2031. The outstanding balance at June 30, 2018 is \$5,367,951.

Parking garage for Germanna Community College - The balance is to be repaid in annual installments ranging from \$175,000 to \$405,000 with an average coupon rate of 4.23% payable semiannually. The final installment of \$405,000 is due September 1, 2031. The outstanding balance at June 30, 2018 is \$4,668,953.

Parking garage for John Tyler Community College Midlothian Campus - The balance is to be repaid in annual installments ranging from \$210,000 to \$440,000 with an average coupon rate of 3.6% payable semiannually. The final installment of \$440,000 is due September 1, 2032. The outstanding balance at June 30, 2018 is \$5,780,608.

Parking garage for Tidewater Community College Chesapeake Campus - The balance is to be repaid in annual installments ranging from \$740,000 to \$1,620,000 with an average coupon rate of 3.6% payable semiannually. The final installment of \$1,620,000 is due September 1, 2032. The outstanding balance at June 30, 2018 is \$21,308,931.

Parking garage for Blue Ridge Community College Weyers Cave Campus - The balance is to be repaid in annual installments ranging from \$135,000 to \$325,000 with coupon rates ranging from 4% to 5% payable semiannually. The final installment of \$325,000 is due September 1, 2034. The outstanding balance at June 30, 2018 is \$4,456,878.

The Virginia Community College System's general revenues, not otherwise obligated, secure these notes.

Other notes payable of \$4,000,000 represents advances received from the Commonwealth of Virginia in anticipation of federal grant funding.

Scheduled maturities of notes payable are as follows:

Year Ending June 30	Principal	Interest	Total Payments
2019	\$6,805,000	\$4,364,023	\$11,169,023
2020	7,095,000	4,037,885	11,132,885
2021	7,390,000	3,703,672	11,093,672
2022	7,690,000	3,345,425	11,035,425
2023	7,450,000	2,985,338	10,435,338
2024-2028	37,380,000	10,044,358	47,424,358
2029-2033	26,770,000	2,212,863	28,982,863
2034-2038	635,000	32,125	667,125
Sub Totals	\$101,215,000	\$30,725,689	\$131,940,689
Plus Bond Premium	9,713,499	-	9,713,499
Totals	<u>\$110,928,499</u>	<u>\$30,725,689</u>	<u>\$141,654,188</u>

## 11. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

The System is committed under various capital lease, operating lease, and installment purchase agreements. The cost of assets capitalized under capital lease and installment purchase agreements total \$32,021,622 and \$4,267,506, respectively. Rent expense under operating lease agreements amounted to \$12,192,339 for the year. A summary of future obligations under lease agreements as of June 30, 2018 follows:

Year Ending June 30	Capital Lease Obligations	Installment Purchase Obligations	Operating Lease Obligations
2019	\$1,107,208	\$406,983	\$ 6,985,010
2020	1,109,179	406,980	10,106,672
2021	369,209	406,982	8,207,501
2022	-	406,980	7,593,977
2023	-	353,478	6,806,867
2024-2028	-	605,874	11,630,245
2029-2033	-	-	-
Total obligation and gross minimum lease payments	\$2,585,596	\$2,587,277	\$51,330,272
Less: Interest	(187,838)	(246,144)	-
Present value of minimum lease payments	<u>\$2,397,758</u>	<u>\$2,341,133</u>	<u>\$51,330,272</u>

Capital leases represent the remaining obligation for two capital lease agreements. Tidewater Community College entered into an agreement in 1997 to purchase several buildings on the Norfolk Campus. The gross amount of the buildings related to this lease agreement is \$27,838,922. Thomas Nelson Community College entered into an agreement in 2002 for the Peninsula Workforce Development Center. The gross amount of the Peninsula Workforce Development Center is broken down as follows: \$3,502,251 for Building, \$492,904 for Land Improvements, and \$187,545 for Infrastructure.

## 12. OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATIONS

VCCS operating expenses for the year ended June 30, 2018 were as follows:

Functional Classification	Natural Classification					Supplies	Total
	Salaries & Benefits	Utilities	Scholarships	Depreciation	Services & Other		
Instruction	\$ 378,209,379	\$ 109,372	\$ 587,377	\$ 41,470,688	\$ 68,579,773	\$ 488,956,589	
Public Service	14,842,579	16,615	289,220	252,070	47,151,171	62,551,655	
Academic Support	72,049,916	126,098	68,560	5,956,119	21,073,053	99,273,746	
Student Services	90,763,514	3,622	668,943	2,592,251	14,709,207	108,737,537	
Institutional Support	117,755,928	46,310	1,303,085	6,082,980	76,909,420	202,097,723	
Operation & Maintenance	42,705,059	16,838,210	94,756	2,851,224	54,030,381	116,519,630	
Scholarships and Fellowships	75,899		96,824,197		472,355	97,372,451	
Auxiliary Enterprises	5,556,006	508,494	1,000	121,099	8,581,892	14,768,491	
Other Expenses					463,680	463,680	
<b>Total Expenses</b>	<u>\$ 721,958,280</u>	<u>\$ 17,648,721</u>	<u>\$ 99,837,138</u>	<u>\$ 59,326,431</u>	<u>\$ 291,970,932</u>	<u>\$ 1,190,741,502</u>	

**13. STATE APPROPRIATIONS**

All Commonwealth unrestricted revenues must be appropriated by the Legislature and are provided on an annual basis. Unspent balances of these appropriations at the close of the fiscal year revert to the Commonwealth's General Fund. These reverted funds are eligible for re-appropriation in fiscal year 2017-18 provided that the VCCS meets financial and administrative standards outlined in the *Code of Virginia*.

During the year ended June 30, 2018, the Virginia Community College System received the following general fund appropriations in accordance with Chapter 1, 2018 Virginia Acts of Assembly.

Appropriated – Chapter 1 – approved June 7, 2018	\$381,224,580
Additions:	
Net central accounts distribution	13,117,194
Other:	
Transfer from SCHEV – VIVA	40,233
Carryover fiscal year 2017 year-end balances	18,323,010
Equipment Trust Fund lease payment	(633,657)
Capital fee transfers	(3,301,665)
Philpott manufacturing	(1,093,862)
Reversion	(21,822,855)
Adjusted Unrestricted Appropriations	<u>\$385,852,978</u>

Other restricted appropriations were \$52,499,615 for a total of \$438,352,593.

**14. EQUIPMENT TRUST FUND**

The System participates in the Higher Education Equipment Trust Fund (HEETF) of the Virginia College Building Authority (VCBA). The HEETF provides funds to public colleges and universities for equipment acquisitions using proceeds from revenue bonds issued for this purpose.

**15. DONOR-RESTRICTED ENDOWMENTS**

VCCS has two donor-restricted endowments. The net appreciation on investments of donor-restricted endowments that is available for expenditure by the governing board did not change for the year ended June 30, 2018. These amounts are reported as restricted expendable net position. Total-return policy is followed for authorizing and spending investment income.

**16. CONTINGENCIES ON GRANTS**

The VCCS receives assistance from non-state grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of the VCCS. As of June 30, 2018, the VCCS estimates that no material liabilities will result from such audits.

## 17. RETIREMENT PLANS

### Virginia Retirement System – General Information about the Pension Plans

#### ***Plan Description***

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The State Retirement Plan and VaLORS Retirement Plan are single employer plans treated as cost-sharing employer plans for financial reporting purposes. 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
<p><b>About Plan 1</b></p> <hr/> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b></p> <hr/> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <hr/> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <p>The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p> <p>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.</p> <p>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</p>



## Retirement Plan Provisions By Plan Structure

<b>Eligible Members</b>	<b>Eligible Members</b>	<b>Eligible Members</b>
<p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered 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>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <p><b>State employees*</b> 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> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <p>Members of the Virginia Law Officers' Retirement System (VaLORS).</p> <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>

## Retirement Plan Provisions By Plan Structure

<b>Retirement Contributions</b>	<b>Retirement Contributions</b>	<b>Retirement Contributions</b>
<p>State employees, excluding state elected officials and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>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><b>Creditable Service</b></p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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><b>Creditable Service</b></p> <p>Same as Plan 1.</p>	<p><b>Creditable Service</b></p> <p><b>Defined Benefit Component:</b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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><b>Defined Contribution Component:</b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

## Retirement Plan Provisions By Plan Structure

<b>Vesting</b>	<b>Vesting</b>	<b>Vesting</b>
<p>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 creditable service. 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>Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b> 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 creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b>Defined Contributions Component:</b> 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> <p>After two years, a member is 50% vested and may withdraw 50% of employer contributions.</p> <p>After three years, a member is 75% vested and may withdraw 75% of employer contributions.</p> <p>After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</p> <p>Distribution is not required by law until age 70½.</p>

## Retirement Plan Provisions By Plan Structure

<u>Calculating the Benefit</u>	<u>Calculating the Benefit</u>	<u>Calculating the Benefit</u>
<p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>See definition under Plan 1.</p>	<p><b>Defined Benefit Component:</b> See definition under Plan 1</p> <p><b>Defined Contribution Component:</b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<u>Average Final Compensation</u>	<u>Average Final Compensation</u>	<u>Average Final Compensation</u>
<p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<u>Service Retirement Multiplier</u>	<u>Service Retirement Multiplier</u>	<u>Service Retirement Multiplier</u>
<p><b>VRS:</b> 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><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p><b>VRS:</b> 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 creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 2.00%.</p>	<p><b>Defined Benefit Component:</b> <b>VRS:</b> 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><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

## Retirement Plan Provisions By Plan Structure

<u>Normal Retirement Age</u>	<u>Normal Retirement Age</u>	<u>Normal Retirement Age</u>
<p><b>VRS:</b> Age 65.</p> <p><b>VaLORS:</b> Age 60.</p>	<p><b>VRS:</b> Normal Social Security retirement age.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<u>Earliest Unreduced Retirement Eligibility</u>	<u>Earliest Unreduced Retirement Eligibility</u>	<u>Earliest Unreduced Retirement Eligibility</u>
<p><b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>VaLORS:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b> <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<u>Earliest Reduced Retirement Eligibility</u>	<u>Earliest Reduced Retirement Eligibility</u>	<u>Earliest Unreduced Retirement Eligibility</u>
<p><b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>VaLORS:</b> 50 with at least five years of creditable service.</p>	<p><b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b> <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

## Retirement Plan Provisions By Plan Structure

<b>Cost-of-Living Adjustment (COLA) in Retirement</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement</b>
<p>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><b>Eligibility:</b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, 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 creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b>Exceptions to COLA Effective Dates:</b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b> Same as Plan 1</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as Plan 1</p>	<p><b>Defined Benefit Component:</b> Same as Plan 2.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p> <p><b>Eligibility:</b> Same as Plan 1 and Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as Plan 1 and Plan 2.</p>

## Retirement Plan Provisions By Plan Structure

<b>Disability Coverage</b>	<b>Disability Coverage</b>	<b>Disability Coverage</b>
<p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>
<p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b> Same as Plan 1, with the following exceptions:</p> <p>Hybrid Retirement Plan members are ineligible for ported service.</p> <p>The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</p> <p>Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

## ***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012, state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2018 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of \$162,406,273 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of \$16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the VCCS to the VRS State Employee Retirement Plan were \$42.3 million and \$43.3 million for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the VCCS to the VaLORS Retirement Plan were \$1.1 million and \$1.1 million for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the VCCS reported a liability of \$477.1 million for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$10.2 million for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. At June 30, 2017, The VCCS' proportion of the Net Pension Liability was based on the VCCS' actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the VCCS' proportion of the VRS State Employee Retirement Plan was 8.19% as compared to 8.48% at June 30, 2016. At June 30, 2017, the VCCS' proportion of the VaLORS Retirement Plan was 1.55% as compared to 1.50% at June 30, 2016.

For the year ended June 30, 2018, the VCCS recognized pension expense of \$30.0 million for the VRS State Employee Retirement Plan and \$1.5 million for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the VCCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



<b>VRS State Employee Retirement Plan</b> (\$ Thousands)	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,013	\$ 14,439
Change in assumptions	4,632	-
Net difference between projected and actual earnings on pension plan investments	-	20,384
Changes in proportion and differences between Employer contributions and proportionate share of contributions	8,294	21,895
Employer contributions subsequent to the measurement date	42,307	-
<b>Total</b>	<b>\$ 56,246</b>	<b>\$ 56,718</b>

<b>VRS VaLORS Retirement Plan</b> (\$ Thousands)	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 28	\$ 24
Change in assumptions	-	663
Net difference between projected and actual earnings on pension plan investments	-	282
Changes in proportion and differences between Employer contributions and proportionate share of contributions	889	156
Employer contributions subsequent to the measurement date	1,121	-
<b>Total</b>	<b>\$ 2,038</b>	<b>\$ 1,125</b>

\$43.4 million reported as deferred outflows of resources related to pensions resulting from the VCCS' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. 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 (\$ thousands)	<u>VRS Retirement Plan</u>	<u>VaLORS Retirement Plan</u>
2019	\$(23,234)	\$31
2020	(2,201)	(44)
2021	(3,640)	(3)
2022	(13,704)	(192)

**Actuarial Assumptions**

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages

Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	<b>Employee Retirement Plan</b>	<b>State VaLORS Retirement Plan</b>
Total Pension Liability	\$ 23,617,412	\$ 2,002,184
Plan Fiduciary Net Position	<u>17,789,888</u>	<u>1,345,887</u>
Employers' Net Pension Liability (Asset)	<u>\$ 5,827,524</u>	<u>\$ 656,297</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.33%	67.22%

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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. 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, 2019, the rate contributed by the VCCS 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. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the State VCCS' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the VCCS' proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the VCCS' proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (amounts expressed in thousands):

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
VCCS' proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$704,745	\$477,103	\$285,931

The following presents the VCCS' proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the VCCS' proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (amounts expressed in thousands):

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
VCCS' proportionate share of the VaLORS Retirement Plan Net Pension Liability	\$14,219	\$10,192	\$6,861

### ***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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### ***Payables to the Pension Plan***

The VCCS recognized \$51,358,000 as Accrued Payroll Expenses as of June 30, 2018 which represents hours worked before June 30 but paid after July 1. The portion payable to the VRS for pension contributions is estimated at \$1.8 million.

### **Optional Retirement Plans**

All qualified salaried employees of the VCCS are required to participate in a retirement benefit plan administered by the Virginia Retirement System (VRS) or in an Optional Retirement Plan (ORP). Classified employees are eligible to participate in the VRS only, while faculty rank employees are eligible to participate in either the VRS or the ORP.

Faculty rank employees can participate in a defined contribution plan administered by two providers other than the VRS. The two different providers are TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services Company. This is a fixed-contribution plan where the retirement benefits received are based on the employer's (10.4%) contributions, plus interest and dividends for those employees who became a member prior to July 1, 2010. For those employees who became a member on or after July 1, 2010, the employer's contributions are 8.5% and the employee's contributions are 5%.

Individual contracts issued under the ORP plan provide for full and immediate vesting of the VCCS contributions. Total pension costs under this plan were \$5,978,642 and \$6,105,943 for years ended June 30, 2018 and 2017, respectively. Contributions to the ORP plan were calculated using the base salary amount of \$61,205,629 and \$62,317,329 for fiscal years 2018 and 2017. The VCCS total payroll for fiscal years 2018 and 2017 was \$547,250,954 and \$556,169,856 respectively.

### ***Payables to the Optional Retirement Plan***

The VCCS recognized \$51,358,000 as Accrued Payroll Expenses as of June 30, 2018 which represents hours worked before June 30 but paid after July 1 or after. The portion payable for contributions to the optional retirement plans is estimated at \$483 thousand.

### **Deferred Compensation Plan**

Employees of the VCCS are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$1,778,804 for fiscal year 2018.

## **18. POST-EMPLOYMENT BENEFITS**

### **Plans administered by VRS**

## **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.

## **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.

## **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.

## **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 the VRS administered OPEB programs, including eligibility, coverage and benefits is set out in the table below:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	GROUP LIFE INSURANCE PROGRAM (GLI) PLAN PROVISIONS	LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.</li> </ul>	<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>	<p><b>Eligible Employees</b></p> <p>The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>	<p><b>Eligible Employees</b></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"> <li>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>



STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	GROUP LIFE INSURANCE PROGRAM (GLI) PLAN PROVISIONS	LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p><b>Benefit Amounts</b></p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li> <li>• <b>Disability Retirement</b> – 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.</li> </ul> <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 employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>	<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b>Natural Death Benefit</b> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b>Accidental Death Benefit</b> – The accidental death benefit is double the natural death benefit.</li> <li>• <b>Other Benefit Provisions</b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>o Accidental dismemberment benefit</li> <li>o Safety belt benefit</li> <li>o Repatriation benefit</li> <li>o Felonious assault benefit</li> <li>o Accelerated death benefit option</li> </ul> </li> </ul> <p><b>Reduction in benefit Amounts</b></p> <p>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.</p>	<p><b>Benefit Amounts</b></p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> <li>• <b>Death</b> – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> <li>o \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.</li> <li>o \$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.</li> <li>o 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.</li> </ul> </li> <li>• <b>Health Insurance</b> – The Line of Duty Act program provides health insurance benefits through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.</li> </ul>	<p><b>Benefit Amounts</b></p> <p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>Leave</b> – Sick, family and personal leave. Eligible leave benefits are paid by the employer.</li> <li>• <b>Short-Term Disability</b> – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.</li> <li>• <b>Long-Term Disability</b> – 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.</li> <li>• <b>Income Replacement Adjustment</b> – The program provides for an income replacement adjustment to 80% for catastrophic conditions.</li> <li>• <b>VSDP Long-Term Care Plan</b> – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.</li> </ul>

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	GROUP LIFE INSURANCE PROGRAM (GLI) PLAN PROVISIONS	LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p><b>Plan Notes</b></p> <p>The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>			<p><b>Plan Notes</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.</li> <li>• 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.</li> </ul>
	<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>		<p><b>Cost-of-Living Adjustment (COLA)</b></p> <ul style="list-style-type: none"> <li>• 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. <ul style="list-style-type: none"> <li>○ 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%).</li> <li>○ 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%).</li> </ul> </li> <li>• For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the</li> </ul>

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	GROUP LIFE INSURANCE PROGRAM (GLI) PLAN PROVISIONS	LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
			<p>actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.</p> <ul style="list-style-type: none"> <li>o 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%</li> <li>• 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 <ul style="list-style-type: none"> <li>o 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%.</li> </ul> </li> </ul>

**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, 2018 was 1.18% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the VCCS to the VRS State Employee Health Insurance Credit Program were \$4.6 million and \$4.6 million for the years ended June 30, 2018 and June 30, 2017, respectively.

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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 the VCCS

were \$2.0 million and \$2.6 million for the years ended June 30, 2018 and June 30, 2017, respectively.

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, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 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 the VCCS were \$37 thousand and \$39 thousand for the years ended June 30, 2018 and June 30, 2017, respectively.

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, 2018 was 0.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 the VCCS were \$2.0 million and \$2.1 million for the years ended June 30, 2018 and June 30, 2017, respectively.

***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***

***HIC***

At June 30, 2018, the VCCS reported a liability of \$53.2 million 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, 2017 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 as of that date. The VCCS' proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the VCCS' actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the VCCS' proportion of the VRS State Employee Health Insurance Credit Program was 6.10% as compared to 6.41% at June 30, 2016.

For the year ended June 30, 2018, the VCCS recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$4.4 million. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

***GLI***

At June 30, 2018, the entities reported a liability of \$32.2 million for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The VCCS' proportion of the Net GLI OPEB Liability was

based on the VCCS' actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 2.14% as compared to 2.25% at June 30, 2016.

For the year ended June 30, 2018, the VCCS recognized GLI OPEB expense of \$90 thousand. 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.

#### **LODA**

At June 30, 2018, the VCCS reported a liability of \$92.8 million for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The VCCS' proportion of the Net LODA OPEB Liability was based on the VCCS' actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the VCCS' proportion was 0.55% as compared 0.52% at June 30, 2016.

For the year ended June 30, 2018, the VCCS recognized LODA OPEB expense of \$7.1 million. 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.

#### **VSDP**

At June 30, 2018, the VCCS reported an (asset) of \$16.7 million for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2017 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of that date. The VCCS' proportion of the Net VSDP OPEB Liability (Asset) was based on the VCCS' actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the VCCS' proportion was 8.11% as compared to 8.41% at June 30, 2016.

For the year ended June 30, 2018, the VCCS recognized VSDP OPEB expense of \$1.5 million. 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, 2018, the VCCS reported deferred outflows of resources and deferred inflows of resources related to the VRS OPEB plans from the following sources:

<b>VRS Health Insurance Credit Program (\$ Thousands)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 134
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	-
Change in assumptions	-	627
Changes in proportionate share	299	2,645
Employer contributions subsequent to the measurement date	4,577	-
<b>Total</b>	<b>\$ 4,876</b>	<b>\$ 3,406</b>

<b>VRS Group Life Insurance Program (\$ Thousands)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,215
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	719
Change in assumptions	-	1,663
Changes in proportionate share	202	1,746
Employer contributions subsequent to the measurement date	2,011	-
<b>Total</b>	<b>\$ 2,213</b>	<b>\$ 5,343</b>

<b>VRS Line of Duty Act Program (\$ Thousands)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	-
Change in assumptions	-	149
Changes in proportionate share	102	20
Employer contributions subsequent to the measurement date	37	-
<b>Total</b>	<b>\$ 139</b>	<b>\$ 170</b>

<b>VRS Virginia Sickness and Disability Plan (\$ Thousands)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,306
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	-
Change in assumptions	-	1,251
Changes in proportionate share	546	103
Employer contributions subsequent to the measurement date	2,015	-
<b>Total</b>	<b>\$ 2,561</b>	<b>\$ 2,660</b>

\$4.6 million reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the VCCS' 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, 2019

\$2.0 million reported as deferred outflows of resources related to the GLI OPEB resulting from the VCCS' 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, 2019.

\$37 thousand reported as deferred outflows of resources related to the LODA OPEB resulting from the VCCS' 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, 2019.

\$2.0 million reported as deferred outflows of resources related to the VSDP OPEB resulting from the VCCS' contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2019.

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 (\$ Thousands)	<u>HIC</u>	<u>GLI</u>	<u>LODA</u>	<u>VSDP</u>
2019	(602)	(1,032)	(13)	(448)
2020	(603)	(1,020)	(10)	(439)
2021	(603)	(1,020)	(10)	(439)
2022	(603)	(1,011)	(10)	(437)
2023	(570)	(722)	(6)	(111)

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35
Teachers	3.5 percent – 5.95
SPORS employees	3.5 percent – 4.75
VaLORS employees	3.5 percent – 4.75
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35
Locality – Hazardous Duty employees	3.5 percent – 4.75
Investment rate of return	7.0 Percent, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB



purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

**Mortality rates – General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Mortality rates – VaLORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

### **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, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation – General state employees percent	3.5 percent – 5.35
VaLORS employees percent	3.5 percent – 4.75
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

### **Mortality rates – General State Employees**

#### **Pre-Retirement:**

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

#### **Post-Retirement:**

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Mortality rates – VaLORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Actuarial Assumptions**

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.50 percent
Salary increases, including Inflation – General state employees	3.50 percent – 5.35 percent
VaLORS employees	3.50 percent – 4.75 percent
Medical cost trend rates assumption – Under age 65	7.75 percent – 5.00 percent
Ages 65 and older	5.75 percent – 5.00 percent
Investment rate of return	3.56 Percent, net of OPEB plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

**Mortality rates – General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

### **Mortality rates – VaLORS Employees**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

### **Actuarial Assumptions**

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including Inflation –	
General state employees	3.5 percent – 5.35 percent
VaLORS employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 Percent, net of OPEB plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was

minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

**Mortality rates – General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Mortality rates – VaLORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Net OPEB Liability (Asset)**

The net OPEB liability (asset) represents the program's total OPEB liability (asset) determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, Net OPEB liability (asset) amounts for VRS administered programs are as follows (amounts expressed in thousands):

	<b>GLI</b>	<b>HIC</b>	<b>LODA</b>	<b>VSDP</b>
Total OPEB Liability	\$2,942,426	\$990,028	\$266,252	\$237,013
Plan Fiduciary Net Position	<u>1,437,586</u>	<u>79,516</u>	<u>3,461</u>	<u>442,334</u>
Employers' Net OPEB Liability (Asset)	<u>\$1,504,840</u>	<u>\$910,512</u>	<u>\$262,791</u>	<u>(\$205,321)</u>

Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	48.86%	8.03%	1.30%	186.63%
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The total OPEB liability (asset) 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 (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 for the HIC, GLI, & VSDP programs**

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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

#### **Long-Term Expected Rate of Return**

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

#### **Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the VCCS for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed 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.

The discount rate used to measure the total State Employee HIC OPEB was 7.00%. 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, 2019, the rate contributed by the VCCS 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. From July 1, 2019 on, all agencies are assumed 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.



The discount rate used to measure the total LODA OPEB liability was 3.56%. 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, 2019, 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. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the LODA 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 LODA OPEB liability.

The discount rate used to measure the total VSDP OPEB liability was 7.00%. 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, 2019, the rate contributed by participating employers 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. From July 1, 2019 on, participating employers are assumed 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.

***Sensitivity of the VCCS' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the VCCS' proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the VCCS' proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
VCCS' proportionate share of the Group Life Insurance Program Net OPEB Liability	\$41,741	\$32,268	\$24,598

The following presents the VCCS' proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the VCCS' proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
VCCS' proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$61,462	\$55,585	\$50,533

The following presents the VCCS' proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the VCCS' proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

	<b>1.00% Decrease (2.56%)</b>	<b>Current Discount Rate (3.56%)</b>	<b>1.00% Increase (4.56%)</b>
VCCS' proportionate share of the total LODA Net OPEB Liability	\$1,644	\$1,449	\$1,285

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the VCCS' proportionate share of the net LODA OPEB liability using health care trend rate of 7.75% decreasing to 5.00%, as well as what the VCCS' 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 (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	<b>1.00% Decrease (6.75% decreasing to 4.00%)</b>	<b>Health Care Trend Rates (7.75% decreasing to 5.00%)</b>	<b>1.00% Increase (8.75% decreasing to 6.00%)</b>
VCCS' proportionate share of the total LODA Net OPEB Liability	\$1,232	\$1,449	\$1,722

The following presents the VCCS' proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 7.00%, as well as what the VCCS' proportionate share of the net VSDP OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
VCCS' proportionate share of the total VSDP Net OPEB Liability (Asset)	(\$15,850)	(\$16,659)	(\$12,941)

### ***VRS OPEB Program Fiduciary Net Position***

Detailed information about the VRS OPEB Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### ***Payables to the VRS Group Life Insurance OPEB Plan***

The VCCS recognized \$51,358,000 as Accrued Payroll Expenses as of June 30, 2018 which represents hours worked before June 30 but paid after July 1. The portion payable for contributions to the Group Life Insurance Plan is estimated at \$100 thousand.

### ***Payables to the State Employee Health Insurance Credit Program OPEB Plan***

The VCCS recognized \$51,358,000 as Accrued Payroll Expenses as of June 30, 2018 which represents hours worked before June 30 but paid after July 1. The portion payable for contributions to the Health Insurance Credit Program is estimated at \$172 thousand.

### ***Payables to the Disability Insurance Program (VSDP) OPEB Plan***

The VCCS recognized \$51,358,000 as Accrued Payroll Expenses as of June 30, 2018 which represents hours worked before June 30 but paid after July 1. The portion payable for contributions to the Disability Insurance Plan is estimated at \$80 thousand.

### **Plans administered by the DHRM**

#### **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. For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS or a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

- be receiving (not deferring) the annuity or periodic benefit immediately upon retirement;
- have his or her last employer before retirement be the state;
- be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage); and,
- have submitted within 31 days of his or her retirement date an Enrollment Form to his or her Benefits Administrator to enroll.

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,600 retirees and 91,000 active employees in the program in fiscal year 2017. 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.

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

At June 30, 2018, the VCCS reported a liability of \$92.8 million for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$1.3 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017. The VCCS' proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2017, the VCCS' proportion was 7.14% as compared to 7.25% at June 30, 2016. For the year ended June 30, 2018, the VCCS recognized Pre-Medicare Retiree Healthcare OPEB expense of \$7.1 million.

At June 30, 2018, the VCCS reported deferred outflows or resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

<b>Pre-Medicare Retiree Healthcare (\$ Thousands)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,731
Change in assumptions	-	19,664
Changes in proportionate share	1,328	2,795
Amounts associated with transactions subsequent to the measurement date	2,460	-
<b>Total</b>	<b>\$ 3,788</b>	<b>\$ 26,190</b>

\$2.5 million reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019. 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:

<b>Year End June 30 (\$ thousands):</b>	
2019	(\$4,579)
2020	(\$4,579)
2021	(\$4,579)
2022	(\$4,579)
2023	(\$4,579)
Total Thereafter	(\$1,969)

### **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, 2017. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.62 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2017 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.43 years
Discount Rate	3.58%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 8.62% to 5.00% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2025
Mortality	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2017.

### ***Changes of Assumptions***

The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates -updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates - lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates - adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index. Spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

***Sensitivity of the VCCS’ Proportionate Share of the OPEB Liability to Changes in the Discount Rate***

The following presents the VCCS’ proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.58%, as well as what the VCCS’ 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

(in \$ thousands)	<b>1% Decrease (2.58%)</b>	<b>Current Rate (3.58%)</b>	<b>1% Increase -4.58%</b>
OPEB Liability	\$99,360	\$92,754	\$86,424

***Sensitivity of the VCCS’ Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the VCCS’ proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.62% decreasing to 5%, as well as what the VCCS’ proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.62% decreasing to 4.0%) or one percentage point higher (9.62% decreasing to 6.0%) than the current rate:

(in \$ thousands)	<b>1% Decrease (7.62% decreasing to 4.00%)</b>	<b>Trend Rate (8.62% decreasing to 5.00%)</b>	<b>1% Increase (9.62% decreasing to 6.00%)</b>
OPEB Liability	\$82,527	\$92,754	\$104,742

**19. RISK MANAGEMENT**

The System 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 System participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker’s compensation plan 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, faithful performance of duty bonds, automobile, and air and watercraft plans. The System pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

A Faithful Performance Duty Bond administered by the Commonwealth of Virginia's Department of Treasury, Division of Risk Management, covers the employees of the VCCS. The Faithful Performance Duty Bond provides coverage with liability limits of \$500,000 for each occurrence.

**20. CAPITAL APPROPRIATIONS-STATE**

Capital appropriations-state is comprised of the following:

General Fund appropriation revenue	\$ -
General Fund Reversion	(447,181)
Virginia College Building Authority appropriation revenue	46,965,073
General Obligation Bond appropriation revenue	378,745
Tidewater Community College capital lease agreement	<u>739,726</u>
Total	<u>\$47,636,363</u>

**21. COMPONENT UNIT FINANCIAL INFORMATION**

Below is a summary of the foundations.

VCCS has five major component units—Mountain Empire Community College Foundation, Northern Virginia Community College Educational Foundation, Patrick Henry Community College Foundation, Southwest Virginia Community College Educational Foundation and Virginia Western Community College Educational Foundation. Additionally, the System has twenty-two non-major component units—Blue Ridge Community College Educational Foundation, Central Virginia Community College Educational Foundation, Dabney S. Lancaster Community College Educational Foundation, Danville Community College Educational Foundation, Eastern Shore Community College Foundation, Germanna Community College Educational Foundation, J. Sargeant Reynolds Community College Educational and Real Estate Foundations, John Tyler Community College Foundation, John Tyler Community College Real Estate Foundation, Lord Fairfax Community College Educational Foundation, New River Community College Educational Foundation, Paul D. Camp Community College Foundation, Piedmont Community College Educational Foundation, Rappahannock Community College Educational Foundation, Southside Virginia Community College Foundation, Thomas Nelson Community College Educational Foundation, Tidewater Community College Educational Foundation, Tidewater Community College Real Estate Foundation, Virginia Highlands Community College Educational Foundation, Wytheville Community College Educational Foundation, Wytheville Community College Scholarship Foundation, and the Virginia Foundation for Community College Education. These organizations are separately incorporated entities and other auditors examine the related financial statements.

Virginia Community College System Foundations  
Statement of Net Position  
As of June 30, 2018

	Southwest Virginia Community College Educational Foundation	Mountain Empire Community College Educational Foundation	Northern Virginia Community College Educational Foundation	Patrick Henry Community College Educational Foundation	Virginia Western Community College Educational Foundation	Combined Non- Major Component Units	Total Component Units
<b>ASSETS</b>							
Total current assets	\$ 848,094	\$ 643,181	\$ 7,580,329	\$ 1,398,657	\$ 899,336	\$ 18,110,748	\$ 29,480,345
Noncurrent assets:							
Other noncurrent assets	21,959,367	25,501,383	16,294,482	17,330,388	18,528,659	171,357,413	270,971,692
Capital assets, net	3,862,429	-	-	1,397,303	25,933	18,529,727	23,815,392
Total noncurrent assets	25,821,796	25,501,383	16,294,482	18,727,691	18,554,592	189,887,140	294,787,084
Total assets	26,669,890	26,144,564	23,874,811	20,126,348	19,453,928	207,997,888	324,267,429
<b>LIABILITIES</b>							
Total current liabilities	27,518	190,168	1,541,162	762,178	190,236	2,672,414	5,383,676
Noncurrent liabilities:							
Long-term liabilities	-	-	-	-	-	7,156,369	7,156,369
Other noncurrent liabilities	-	-	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-	7,156,369	7,156,369
Total liabilities	27,518	190,168	1,541,162	762,178	190,236	9,828,783	12,540,045
<b>NET POSITION</b>							
Net investment in capital assets	3,862,429	-	-	1,397,303	25,933	11,496,495	16,782,160
Restricted for:							
Nonexpendable	-	9,338,042	5,219,821	7,220,945	5,260,000	70,953,864	97,992,672
Expendable	6,366,973	11,723,114	6,285,625	2,798,904	12,823,859	75,714,638	115,713,113
Unrestricted	16,412,970	4,893,240	10,828,203	7,947,018	1,153,900	40,004,108	81,239,439
Total Net Position	\$ 26,642,372	\$ 25,954,396	\$ 22,333,649	\$ 19,364,170	\$ 19,263,692	\$ 198,169,105	\$ 311,727,384



Virginia Community College System Foundations  
Statement of Revenues, Expenses, and Changes in Net Position  
As of June 30, 2018

	Southwest Virginia Community College Educational Foundation	Mountain Empire Community College Educational Foundation	Northern Virginia Community College Educational Foundation	Patrick Henry Community College Educational Foundation	Virginia Western Community College Educational Foundation	Combined Non- Major Component Units	Total Component Units
Total operating revenues	\$ 884,907	\$ 2,827,048	\$ 2,198,723	\$ 1,762,489	\$ 5,548,922	\$ 38,512,976	\$ 51,735,065
Total operating expenses	1,106,780	771,059	1,966,288	1,943,312	2,600,782	26,920,613	35,308,834
Operating income (loss)	(221,873)	2,055,989	232,435	(180,823)	2,948,140	11,592,363	16,426,231
Nonoperating revenues (expenses):							
Investment Income	1,792,925	12	684,389	1,430	596,486	3,627,200	6,702,442
Other nonoperating revenues (expenses)	-	-	-	-	-	-	-
Net nonoperating revenue	1,792,925	12	684,389	1,430	596,486	3,627,200	6,702,442
Income before other revenues, expenses gains and losses	1,571,052	2,056,001	916,824	(179,393)	3,544,626	15,219,563	23,128,673
Capital gifts, grants and contracts	3,528	-	-	-	-	108,219	111,747
Additions to permanent and term endowments	-	405,312	1,055,929	83,774	538,025	10,319,377	12,402,417
Increase (decrease) in net position	1,574,580	2,461,313	1,972,753	(95,619)	4,082,651	25,647,159	35,642,837
Net Position - beginning of year	25,067,792	23,493,083	20,360,896	19,459,789	15,181,041	172,521,946	276,084,547
Net Position - end of year	\$ 26,642,372	\$ 25,954,396	\$ 22,333,649	\$ 19,364,170	\$ 19,263,692	\$ 198,169,105	\$ 311,727,384

## **22. LITIGATION**

A few community colleges have been named as defendants in lawsuits. The final outcome of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the colleges may be exposed will not have a material effect upon the Virginia Community College System's financial position.

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***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

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**REQUIRED SUPPLEMENTARY INFORMATION**

**As of June 30, 2018**

**Schedule of Employer's Share of Net Pension Liability**

**VRS State Employee Retirement Plan  
For the Years Ended June 30, 2018, 2017, 2016, and 2015**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
VCCS' Proportion of the Net Pension Liability (Asset)	8.19%	8.48%	8.48%	8.43%
VCCS' Proportionate Share of the Net Pension Liability (Asset)	\$477,103,000	\$559,144,000	\$518,887,000	\$471,710,000
VCCS' Covered Payroll	\$322,386,829	\$328,281,989	\$326,582,151	\$325,381,501
VCCS' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	147.99%	170.32%	158.88%	144.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.33%	71.29%	72.81%	74.28%

**VaLORS Retirement Plan  
For the Years Ended June 30, 2018, 2017, 2016, and 2015**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
VCCS' Proportion of the Net Pension Liability (Asset)	1.55%	1.50%	1.38%	1.26%
VCCS' Proportionate Share of the Net Pension Liability (Asset)	\$10,192,000	\$11,618,000	\$9,786,000	\$8,509,000
VCCS' Covered Payroll	\$5,346,521	\$5,187,256	\$4,662,097	\$4,449,485
VCCS' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	190.63%	223.97%	209.91%	191.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.22%	61.01%	62.64%	63.05%

*Schedules are intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only one additional year of data is 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 Contributions**

**VRS State Employee Retirement Plan  
For the 10 Years Ending June 30**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2018	\$43,489,983	\$43,489,983		\$322,386,829	13.49%
2017	44,014,949	44,014,949		326,278,349	13.49%
2016	46,152,519	46,152,519		328,281,989	14.06%
2015	40,267,580	40,267,580		326,582,151	12.33%
2014	28,503,419	28,503,419		325,381,501	8.76%
2013	26,909,705	26,909,705		307,188,417	8.76%
2012	9,189,092	9,189,092		285,725,680	3.22%
2011	5,655,059	5,655,059		265,495,721	2.13%
2010	12,950,917	12,950,917		259,932,640	4.98%
2009	16,417,782	16,417,782		263,527,802	6.23%

**VaLORS Retirement Plan  
For the 10 Years Ending June 30**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2018	\$1,125,443	\$1,125,443		\$5,346,521	21.05%
2017	1,126,102	1,126,102		5,349,651	21.05%
2016	977,198	977,198		5,187,256	18.84%
2015	823,793	823,793		4,662,097	17.67%
2014	658,524	658,524		4,449,485	14.80%
2013	611,019	611,019		4,128,506	14.80%
2012	270,231	270,231		3,805,675	7.10%
2011	167,323	167,323		3,268,032	5.12%
2010	357,887	357,887		3,155,689	11.34%
2009	427,825	427,825		3,006,503	14.23%

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2018**

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

**Schedule of VCCS' Share of Net OPEB Liability  
Group Life Insurance Program (GLI)  
For the Year Ended June 30, 2018 \***

	<b>2018</b>
VCCS' Proportion of the Net GLI OPEB Liability (Asset)	2.14%
VCCS' Proportionate Share of the Net GLI OPEB Liability (Asset)	\$32,268,000
VCCS' Covered Payroll	\$391,539,930
VCCS' Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.24%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is 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 Contributions  
Group Life Insurance Program**

For the Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 2,036,008	\$ 2,036,008	\$ -	\$391,539,930	0.52%
2017	2,057,015	2,057,015	-	395,579,732	0.52%
2016	2,141,520	1,939,490	202,030	404,060,358	0.48%
2015	2,094,170	1,896,607	197,563	395,126,469	0.48%
2014	2,077,579	1,881,581	195,998	391,995,995	0.48%
2013	1,971,308	1,785,336	185,973	371,944,976	0.48%
2012	1,535,088	1,075,476	459,612	348,929,177	0.31%
2011	1,433,789	912,411	521,378	325,861,035	0.28%
2010	1,147,212	654,998	492,214	318,669,969	0.36%
2009	1,154,940	866,205	288,735	320,816,765	0.27%

**Schedule of VCCS' Share of Net OPEB Liability  
Health Insurance Credit Program (HIC)  
For the Year Ended June 30, 2018 \***

**2018**

VCCS' Proportion of the Net HIC OPEB Liability (Asset)	6.10%
VCCS' Proportionate Share of the Net HIC OPEB Liability (Asset)	\$55,585,000
VCCS' Covered Payroll	\$389,321,850
VCCS' Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	14.28%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.03%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is 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 Contributions  
Health Insurance Credit Program**

<b>For the Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2018	\$ 4,593,998	\$ 4,593,998	\$ -	\$ 389,321,850	1.18%
2017	4,654,486	4,654,486	-	394,447,967	1.18%
2016	4,719,527	4,235,473	484,054	403,378,413	1.05%
2015	4,616,796	4,143,279	473,518	394,597,957	1.05%
2014	4,112,755	3,916,910	195,845	391,690,948	1.00%
2013	3,986,703	3,796,860	189,843	379,685,955	1.00%
2012	3,745,506	471,317	3,274,189	353,352,660	0.13%
2011	3,438,454	324,355	3,114,099	324,354,760	0.10%
2010	3,872,053	2,528,235	1,343,818	317,381,380	0.80%
2009	3,845,565	3,719,480	126,084	315,210,208	1.18%



**Schedule of VCCS' Share of Net OPEB Liability**

**Line of Duty Act (LODA)**

**For the Year Ended June 30, 2018 \***

**2018**

VCCS' Proportion of the Net LODA OPEB Liability (Asset)	0.55%
VCCS' Proportionate Share of the Net LODA OPEB Liability (Asset)	\$1,449,000
VCCS' Covered Payroll	N/A **
VCCS' Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered Payroll	N/A **
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is 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.

**Schedule of Employer Contributions**

**Line of Duty Act**

**For the Year Ended June 30, 2018 \***

<b>For the</b>	<b>Contributions</b>			<b>Employer's</b>	<b>Contributions</b>
<b>Year</b>	<b>Contractually</b>	<b>in Relation to</b>	<b>Contribution</b>	<b>Covered</b>	<b>as a % of</b>
<b>Ended</b>	<b>Required</b>	<b>Contractually</b>	<b>Deficiency</b>	<b>Payroll</b>	<b>Covered</b>
<b>June 30</b>	<b>Contribution</b>	<b>Required</b>	<b>(Excess)</b>		<b>Payroll</b>
		<b>Contribution</b>			
2018	\$ 68,000	\$ 68,000	\$ -	N/A **	N/A **

\* The Line of Duty Act Program (LODA) includes full-time employees, part-time employees and volunteers. Contributions for the Program are based on the number of full-time equivalent employees in the Program using a per capita-based contribution versus a payroll-based contribution.

\*\* FY 2011 was the first year for the Line of Duty Act Program (LODA), however, there were no contributions.

**Schedule of VCCS' Share of Net OPEB Liability  
Disability Insurance Program (VSDP)  
For the Year Ended June 30, 2018 \***

**2018**

VCCS' Proportion of the Net VSDP OPEB Liability (Asset)	8.11%
VCCS' Proportionate Share of the Net VSDP OPEB Liability (Asset)	(\$16,659,000)
VCCS' Covered Payroll	\$305,233,995
VCCS' Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.46%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	186.63%

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is 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 Contributions  
Disability Insurance Program**

For the Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 2,014,544	\$ 2,014,544	\$ -	\$305,233,995	0.66%
2017	2,019,930	2,019,930	-	306,049,960	0.66%
2016	2,272,557	2,054,641	217,916	311,309,169	0.66%
2015	2,190,859	1,980,777	210,082	300,117,716	0.66%
2014	1,709,911	1,385,617	324,293	294,812,193	0.47%
2013	1,682,108	1,363,087	319,020	290,018,562	0.47%
2012	2,206,784	74,874	2,131,910	294,237,861	0.03%
2011	2,002,767	-	2,002,767	267,035,539	0.00%
2010	5,151,498	2,092,978	3,058,520	262,831,532	0.80%
2009	5,218,001	4,765,420	452,582	266,224,555	1.79%

**Notes to Required Supplementary Information**  
**Group Life Insurance Program**  
**Health Insurance Credit Program (HIC)**  
**Line of Duty Act (LODA)**  
**Disability Insurance Program (VSDP)**  
**For the Year Ended June 30, 2018**

**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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**General State Employees**

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

**VaLORS Employees**

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

**Required Supplementary Information**

**Commonwealth of Virginia State Health Plans  
Program for Pre-Medicare Retirees  
For the Fiscal Year Ended June 30, 2018**

**Schedule of VCCS' Share of Net OPEB Liability**

**Pre-Medicare Retiree Program**

**For the Year Ended June 30, 2018 \***

**2018**

VCCS' Proportion of the Net Pre-Medicare Retiree OPEB Liability (Asset)	7.14%
VCCS' Proportionate Share of the Net Pre-Medicare Retiree OPEB Liability (Asset)	\$92,753,806
VCCS' Covered Payroll	\$356,495,630
VCCS' Proportionate Share of the Net Pre-Medicare Retiree OPEB Liability (Asset) as a Percentage of its Covered Payroll	26.02%

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

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

**Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018**

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

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

**Changes of assumptions** – The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates – updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates – adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the Bond Buyers GO 20 Municipal Bond Index and spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

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*INDIVIDUAL  
COLLEGE  
FINANCIAL  
STATEMENTS*

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**Virginia Community College System  
Blue Ridge Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit  Blue Ridge Community College  Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	6,435,533	516,496
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	204,238	7,450
Pledges receivable (Note 3)		302,232
Due from commonwealth (Note 4)		
Due from system office	58,919	
Interest receivable	94,567	
Prepaid expenses	265,889	
Inventories	7,000	
Notes receivable, net (Note 3)		7,650
<b>Total Current Assets</b>	<b>7,066,146</b>	<b>833,828</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	1,811,828	
Cash equivalents with trustees (Note 2)	117,619	
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		8,168,206
Other long-term investments (Note 2)		3,719,108
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		392,205
Pledges receivable (Note 3)		295,731
Due from commonwealth (Note 4)	1,205,126	
Notes receivable, net (Note 3)		217,018
Post employment benefit assets	412,000	
Non-depreciable capital assets, net (Note 5)	4,650,234	5,000
Depreciable capital assets, net (Note 5)	50,774,710	
<b>Total Noncurrent Assets</b>	<b>58,971,517</b>	<b>12,797,268</b>
<b>Total Assets</b>	<b>66,037,663</b>	<b>13,631,096</b>
<b>Deferred Outflows of Resources</b> (Note 8)	1,615,079	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>67,652,742</b>	<b>13,631,096</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	1,927,590	3,283
Accrued payroll expense	1,541,495	
Unearned revenue	1,293,924	
Long-term liabilities-current portion (Note 9)	1,068,289	26,200
Securities lending obligation	5	
Due to Commonwealth		
Due to system's office		
Deposits	45,581	
<b>Total Current Liabilities</b>	<b>5,876,884</b>	<b>29,483</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	11,598,922	87,847
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	16,317,237	
<b>Total Noncurrent Liabilities</b>	<b>27,916,159</b>	<b>87,847</b>
<b>Total Liabilities</b>	<b>33,793,043</b>	<b>117,330</b>

**Virginia Community College System  
Blue Ridge Community College  
Statement of Net Position  
As of June 30, 2018**

	Community College	Component Unit  Blue Ridge Community College  Educational Foundation
<b>Deferred Inflows of Resources</b> (Note 17)	2,532,496	
<b>Total Liabilities and Deferred Inflows of Resources</b>	36,325,539	117,330
<b>Net Position</b>		
Net investment in capital assets	43,642,337	5,000
Restricted for:		
Nonexpendable		6,431,413
Expendable	2,391,750	3,699,487
Unrestricted	(14,706,884)	3,377,866
<b>Total Net Position</b>	31,327,203	13,513,766

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

**Virginia Community College System**  
**Blue Ridge Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Blue Ridge Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$5,049,810)	7,985,383	
Federal grants and contracts	517,422	
State and local grants	490,422	
Nongovernmental grants	652,694	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$15,934)	1,396,197	
Gifts and contributions		448,172
Endowment income		466,742
Other operating revenues	239,917	430,458
<b>Total Operating Revenue</b>	<b>11,282,035</b>	<b>1,345,372</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	12,247,544	469,867
Public service	312,114	25,000
Academic support	1,938,315	69,639
Student services	2,605,644	
Institutional support	5,503,820	133,828
Operation and maintenance	2,292,663	3,317
Scholarships and fellowships	2,562,101	683,783
Auxiliary enterprises	423,058	
Fundraising		50,467
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>27,885,259</b>	<b>1,435,901</b>
<b>Operating Income (Loss)</b>	<b>(16,603,224)</b>	<b>(90,529)</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	11,190,646	
Local appropriations	26,000	
Grants and gifts	5,535,113	
Investment income	215,648	214,065
Interest on capital asset related debt	(359,540)	
Other nonoperating revenue (expense)	225,296	
<b>Net Nonoperating Revenue</b>	<b>16,833,163</b>	<b>214,065</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>229,939</b>	<b>123,536</b>
Capital appropriations-state (Note 20)	2,390,427	
Capital appropriations-local	400,000	
Capital gifts, grants and contracts	434,106	
Additions to permanent and term endowments		136,512
<b>Increase (Decrease) in Net Position</b>	<b>3,454,472</b>	<b>260,048</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>27,872,731</b>	<b>13,253,718</b>
<b>Net Position end of year</b>	<b>31,327,203</b>	<b>13,513,766</b>

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



**Virginia Community College System  
Blue Ridge Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	7,998,533
Grants and contracts	1,660,538
Payments to suppliers and others	(4,891,535)
Payments for employee wages	(12,598,516)
Payments for employee fringes and pension benefits	(4,836,044)
Payment for scholarships	(3,633,833)
Payments for utilities	(601,458)
Sales and services of education department	
Auxiliary	1,396,197
Loans issued to students	
Loans collected from students	
Other	239,917
Net cash used by operating activities	(15,266,201)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	11,190,646
Local appropriations	26,000
Grants and gifts	5,446,869
Agency receipts	265,478
Agency disbursements	(264,447)
PLUS, Stafford and Direct Lending loan receipts	2,707,697
PLUS, Stafford and Direct Lending loan disbursements	(2,707,697)
Borrowings	94,000
Loan repayments	(94,000)
Other non-operating revenue(expense)	204,859
Net cash provided (used) by non-capital financing activities	16,869,405
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	1,232,856
Capital appropriations-local	400,000
Capital grants and gifts	342,923
Purchase capital assets	(6,478,256)
Proceeds from sale of capital assets	124
Proceeds from bond issue	
Debt interest payments	(506,622)
Debt principal payments	(565,000)
Net cash provided (used) by capital financing activities	(5,573,975)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	215,646
Net cash provided (used) by investing activities	215,646
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,755,125)</b>
Cash and cash equivalents, beginning of year	12,120,100
<b>Cash and cash equivalents, End of Year</b>	<b>8,364,975</b>

**Virginia Community College System  
Blue Ridge Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(16,603,224)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	2,015,166
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(7,773)
Prepaid expenses and other	(148,606)
Post employment benefits asset	(59,000)
Accrued compensation and leave	(268,897)
Accounts payable and other	11,237
Unearned revenue	20,398
Deposits pending distribution	
Pension liability	(2,233,000)
Post employment benefits liability	(745,208)
Deferred inflows of resources related to pensions and post employment benefits	2,068,496
Deferred outflows of resources related to pensions and post employment benefits	684,210
<b>Net cash used in operating activities</b>	<u><u>(15,266,201)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	8,364,980
Less: Securities Lending Cash Equivalents	5
Cash and cash equivalents end of year	<u><u>8,364,975</u></u>

**Noncash transactions**

Donated fixed assets	91,183
Debt principal and interest payments made by Treasury	
Amortization of bond premium	61,752
Capitalized bond interest costs	129,231
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Central Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Central Virginia Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	5,277,272	672,983
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	513,585	3,473
Pledges receivable (Note 3)		28,334
Due from commonwealth (Note 4)	125,991	
Due from system office	38,901	
Interest receivable		
Prepaid expenses	340,987	
Inventories	12,285	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>6,309,021</b>	<b>704,790</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		117,665
Appropriation available		
Endowment investments (Note 2)		1,321,155
Other long-term investments (Note 2)		1,697,439
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		3,170
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	334,000	
Non-depreciable capital assets, net (Note 5)	556,291	
Depreciable capital assets, net (Note 5)	14,469,835	
<b>Total Noncurrent Assets</b>	<b>15,360,126</b>	<b>3,139,429</b>
<b>Total Assets</b>	<b>21,669,147</b>	<b>3,844,219</b>
<b>Deferred Outflows of Resources</b> (Note 8)	1,353,994	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>23,023,141</b>	<b>3,844,219</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	510,466	167,182
Accrued payroll expense	607,971	
Unearned revenue	671,546	
Long-term liabilities-current portion (Note 9)	593,997	
Securities lending obligation	5	
Due to Commonwealth		
Due to system's office		
Deposits	174,888	
<b>Total Current Liabilities</b>	<b>2,558,873</b>	<b>167,182</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	497,011	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	13,728,418	
<b>Total Noncurrent Liabilities</b>	<b>14,225,429</b>	
<b>Total Liabilities</b>	<b>16,784,302</b>	<b>167,182</b>

**Virginia Community College System  
Central Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Central Virginia Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	2,256,993	
<b>Total Liabilities and Deferred Inflows of Resources</b>	19,041,295	167,182
<b>Net Position</b>		
Net investment in capital assets	14,784,803	
Restricted for:		
Nonexpendable		718,220
Expendable	864,919	1,789,668
Unrestricted	(11,667,876)	1,169,149
<b>Total Net Position</b>	3,981,846	3,677,037

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

**Virginia Community College System  
Central Virginia Community College  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Central Virginia Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$3,694,098)	8,351,283	
Federal grants and contracts	543,764	
State and local grants	26,247	
Nongovernmental grants	65,655	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$11,546)	98,161	
Gifts and contributions		706,438
Endowment income		94,790
Other operating revenues	199,062	42,284
<b>Total Operating Revenue</b>	<b>9,284,172</b>	<b>843,512</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	12,048,398	
Public service	387,862	
Academic support	1,529,779	
Student services	1,910,751	
Institutional support	2,967,022	288,635
Operation and maintenance	2,402,409	
Scholarships and fellowships	2,150,264	495,966
Auxiliary enterprises	70,077	
Fundraising		12,575
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>23,466,562</b>	<b>797,176</b>
<b>Operating Income (Loss)</b>	<b>(14,182,390)</b>	<b>46,336</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	10,089,913	
Local appropriations	3,817	
Grants and gifts	5,010,873	
Investment income	4,458	136,146
Interest on capital asset related debt		
Other nonoperating revenue (expense)	(1,867)	
<b>Net Nonoperating Revenue</b>	<b>15,107,194</b>	<b>136,146</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>924,804</b>	<b>182,482</b>
Capital appropriations-state (Note 20)	793,086	
Capital appropriations-local		
Capital gifts, grants and contracts	265,056	
Additions to permanent and term endowments		60,800
<b>Increase (Decrease) in Net Position</b>	<b>1,982,946</b>	<b>243,282</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>1,998,900</b>	<b>3,433,755</b>
<b>Net Position end of year</b>	<b>3,981,846</b>	<b>3,677,037</b>

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

**Virginia Community College System  
Central Virginia Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	8,105,949
Grants and contracts	747,889
Payments to suppliers and others	(4,900,594)
Payments for employee wages	(11,970,287)
Payments for employee fringes and pension benefits	(3,927,410)
Payment for scholarships	(2,222,279)
Payments for utilities	(406,313)
Sales and services of education department	
Auxiliary	98,017
Loans issued to students	
Loans collected from students	
Other	199,062
Net cash used by operating activities	(14,275,966)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	10,089,913
Local appropriations	3,817
Grants and gifts	4,884,882
Agency receipts	183,278
Agency disbursements	(131,137)
PLUS, Stafford and Direct Lending loan receipts	1,411,809
PLUS, Stafford and Direct Lending loan disbursements	(1,412,184)
Borrowings	250,000
Loan repayments	(250,000)
Other non-operating revenue(expense)	143,492
Net cash provided (used) by non-capital financing activities	15,173,870
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	793,086
Capital appropriations-local	
Capital grants and gifts	264,996
Purchase capital assets	(507,446)
Proceeds from sale of capital assets	2,252
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	552,888
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	4,458
Net cash provided (used) by investing activities	4,458
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,455,250</b>
Cash and cash equivalents, beginning of year	3,822,017
<b>Cash and cash equivalents, End of Year</b>	<b>5,277,267</b>

**Virginia Community College System  
Central Virginia Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(14,182,390)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	835,789
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(272,197)
Prepaid expenses and other	(60,471)
Post employment benefits asset	(45,000)
Accrued compensation and leave	(155,606)
Accounts payable and other	106,746
Unearned revenue	(44,686)
Deposits pending distribution	
Pension liability	(1,907,000)
Post employment benefits liability	(491,561)
Deferred inflows of resources related to pensions and post employment benefits	1,450,993
Deferred outflows of resources related to pensions and post employment benefits	489,417
<b>Net cash used in operating activities</b>	<u><u>(14,275,966)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	5,277,272
Less: Securities Lending Cash Equivalents	<u>5</u>
Cash and cash equivalents end of year	<u><u>5,277,267</u></u>

**Noncash transactions**

Donated fixed assets	60
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Dabney S. Lancaster Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Dabney S. Lancaster Community College Educational Foundation</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	1,348,573	869,931
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	174,946	
Pledges receivable (Note 3)		47,233
Due from commonwealth (Note 4)		
Due from system office	35,978	
Interest receivable		20,058
Prepaid expenses	103,103	
Inventories	7,467	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<u>1,670,067</u>	<u>937,222</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		6,622,206
Other long-term investments (Note 2)		
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		94,150
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	154,000	
Non-depreciable capital assets, net (Note 5)	309,237	
Depreciable capital assets, net (Note 5)	10,612,500	1,687
<b>Total Noncurrent Assets</b>	<u>11,075,737</u>	<u>6,718,043</u>
<b>Total Assets</b>	<u>12,745,804</u>	<u>7,655,265</u>
<b>Deferred Outflows of Resources</b> (Note 8)	602,778	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>13,348,582</u>	<u>7,655,265</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	129,562	56,332
Accrued payroll expense	498,468	
Unearned revenue	37,628	
Long-term liabilities-current portion (Note 9)	167,790	
Securities lending obligation	1	
Due to Commonwealth		
Due to system's office		
Deposits	78,946	
<b>Total Current Liabilities</b>	<u>912,395</u>	<u>56,332</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	75,401	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	6,618,757	
<b>Total Noncurrent Liabilities</b>	<u>6,694,158</u>	
<b>Total Liabilities</b>	<u>7,606,553</u>	<u>56,332</u>



**Virginia Community College System  
Dabney S. Lancaster Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Dabney S. Lancaster Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	862,339	
<b>Total Liabilities and Deferred Inflows of Resources</b>	8,468,892	56,332
<b>Net Position</b>		
Net investment in capital assets	10,921,737	1,687
Restricted for:		
Nonexpendable		3,980,758
Expendable	98,697	3,216,692
Unrestricted	(6,140,744)	399,796
<b>Total Net Position</b>	4,879,690	7,598,933

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

**Virginia Community College System**  
**Dabney S. Lancaster Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Dabney S. Lancaster Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$1,361,982)	2,176,148	
Federal grants and contracts	1,257,390	
State and local grants	8,750	
Nongovernmental grants	618,078	497,669
Sales/services of education department	3,106	
Auxiliary enterprises (net of scholarship allowance of \$4,276)	25,397	
Gifts and contributions		117,697
Endowment income		709,028
Other operating revenues	29,754	122,107
<b>Total Operating Revenue</b>	<b>4,118,623</b>	<b>1,446,501</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	4,129,019	31,296
Public service	42,596	
Academic support	584,058	680,113
Student services	2,056,502	
Institutional support	1,929,909	53,931
Operation and maintenance	1,009,780	
Scholarships and fellowships	934,559	186,841
Auxiliary enterprises	13,642	
Fundraising		41,291
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>10,700,065</b>	<b>993,472</b>
<b>Operating Income (Loss)</b>	<b>(6,581,442)</b>	<b>453,029</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	4,670,825	
Local appropriations	121,264	
Grants and gifts	1,558,607	
Investment income	6,488	1,512
Interest on capital asset related debt		
Other nonoperating revenue (expense)	21,511	
<b>Net Nonoperating Revenue</b>	<b>6,378,695</b>	<b>1,512</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(202,747)</b>	<b>454,541</b>
Capital appropriations-state (Note 20)		
Capital appropriations-local		
Capital gifts, grants and contracts	393,571	
Additions to permanent and term endowments		115,742
<b>Increase (Decrease) in Net Position</b>	<b>190,824</b>	<b>570,283</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>4,688,866</b>	<b>7,028,650</b>
<b>Net Position end of year</b>	<b>4,879,690</b>	<b>7,598,933</b>

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

**Virginia Community College System**  
**Dabney S. Lancaster Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	2,083,410
Grants and contracts	1,864,362
Payments to suppliers and others	(1,813,468)
Payments for employee wages	(5,299,744)
Payments for employee fringes and pension benefits	(1,896,267)
Payment for scholarships	(980,589)
Payments for utilities	(236,652)
Sales and services of education department	3,106
Auxiliary	25,397
Loans issued to students	
Loans collected from students	
Other	29,754
Net cash used by operating activities	(6,220,691)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	4,670,825
Local appropriations	121,264
Grants and gifts	1,558,607
Agency receipts	218,985
Agency disbursements	(183,010)
PLUS, Stafford and Direct Lending loan receipts	880,782
PLUS, Stafford and Direct Lending loan disbursements	(880,782)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	(29,131)
Net cash provided (used) by non-capital financing activities	6,357,540
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	
Capital grants and gifts	327,667
Purchase capital assets	(302,445)
Proceeds from sale of capital assets	14,664
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	39,886
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	6,488
Net cash provided (used) by investing activities	6,488
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>183,223</b>
Cash and cash equivalents, beginning of year	1,165,349
<b>Cash and cash equivalents, End of Year</b>	<b>1,348,572</b>

**Virginia Community College System  
Dabney S. Lancaster Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(6,581,442)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	528,922
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(15,197)
Prepaid expenses and other	20,565
Post employment benefits asset	(29,000)
Accrued compensation and leave	11,028
Accounts payable and other	27,820
Unearned revenue	(91,748)
Deposits pending distribution	
Pension liability	(726,000)
Post employment benefits liability	(170,693)
Deferred inflows of resources related to pensions and post employment benefits	562,339
Deferred outflows of resources related to pensions and post employment benefits	242,715
<b>Net cash used in operating activities</b>	<u><u>(6,220,691)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	1,348,573
Less: Securities Lending Cash Equivalents	<u>1</u>
Cash and cash equivalents end of year	<u><u>1,348,572</u></u>

**Noncash transactions**

Donated fixed assets	65,904
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Danville Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Danville Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	4,385,126	360,340
Appropriation available		
Short term investments (Note 2)	607,605	
Accounts receivable, net (Note 3)	1,306,243	
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Due from system office	29,972	
Interest receivable		27,056
Prepaid expenses	6,414	
Inventories	314,515	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<u>6,649,875</u>	<u>387,396</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	(2,702)	
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		441,162
Appropriation available		
Endowment investments (Note 2)		8,702,761
Other long-term investments (Note 2)		
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)	337,528	
Notes receivable, net (Note 3)		
Post employment benefit assets	318,000	
Non-depreciable capital assets, net (Note 5)	891,969	
Depreciable capital assets, net (Note 5)	33,400,672	
<b>Total Noncurrent Assets</b>	<u>34,945,467</u>	<u>9,143,923</u>
<b>Total Assets</b>	<u>41,595,342</u>	<u>9,531,319</u>
<b>Deferred Outflows of Resources</b> (Note 8)	1,221,811	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>42,817,153</u>	<u>9,531,319</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	1,059,000	27,056
Accrued payroll expense	1,146,189	
Unearned revenue	655,017	
Long-term liabilities-current portion (Note 9)	781,260	
Securities lending obligation	1,357	
Due to Commonwealth		
Due to system's office		
Deposits	250,946	
<b>Total Current Liabilities</b>	<u>3,893,769</u>	<u>27,056</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	196,316	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	13,976,073	
<b>Total Noncurrent Liabilities</b>	<u>14,172,389</u>	
<b>Total Liabilities</b>	<u>18,066,158</u>	<u>27,056</u>

**Virginia Community College System  
 Danville Community College  
 Statement of Net Position  
 As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Danville Community College Educational Foundation</u>
<b>Deferred Inflows of Resources</b> (Note 17)	2,252,290	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>20,318,448</u>	<u>27,056</u>
<b>Net Position</b>		
Net investment in capital assets	34,292,641	
Restricted for:		
Nonexpendable		5,791,893
Expendable	(85,210)	2,485,479
Unrestricted	<u>(11,708,726)</u>	<u>1,226,891</u>
<b>Total Net Position</b>	<u>22,498,705</u>	<u>9,504,263</u>

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

**Virginia Community College System**  
**Danville Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Danville Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$3,976,373)	4,488,217	
Federal grants and contracts	1,806,558	
State and local grants	476,126	
Nongovernmental grants	2,489,502	2,157,082
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$476,254)	465,302	
Gifts and contributions		78,856
Endowment income		770,693
Other operating revenues	205,470	148,335
<b>Total Operating Revenue</b>	<b>9,931,175</b>	<b>3,154,966</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	12,376,792	
Public service	828,364	
Academic support	1,389,631	127,083
Student services	1,760,232	
Institutional support	3,837,980	2,236,159
Operation and maintenance	1,816,990	129,654
Scholarships and fellowships	1,604,017	289,524
Auxiliary enterprises	1,011,835	
Fundraising		330,019
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>24,625,841</b>	<b>3,112,439</b>
<b>Operating Income (Loss)</b>	<b>(14,694,666)</b>	<b>42,527</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	9,545,127	
Local appropriations	27,000	
Grants and gifts	4,652,714	
Investment income	13,198	
Interest on capital asset related debt		
Other nonoperating revenue (expense)	(6,316,042)	
<b>Net Nonoperating Revenue</b>	<b>7,921,997</b>	
<b>Income before other revenues, expenses gains (losses)</b>	<b>(6,772,669)</b>	<b>42,527</b>
Capital appropriations-state (Note 20)	12,758,288	
Capital appropriations-local		
Capital gifts, grants and contracts	64,335	
Additions to permanent and term endowments		1,303,441
<b>Increase (Decrease) in Net Position</b>	<b>6,049,954</b>	<b>1,345,968</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>16,448,751</b>	<b>8,158,295</b>
<b>Net Position end of year</b>	<b>22,498,705</b>	<b>9,504,263</b>

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

**Virginia Community College System  
Danville Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	4,691,844
Grants and contracts	4,667,075
Payments to suppliers and others	(7,647,124)
Payments for employee wages	(9,638,031)
Payments for employee fringes and pension benefits	(3,610,523)
Payment for scholarships	(1,737,300)
Payments for utilities	(574,018)
Sales and services of education department	
Auxiliary	444,799
Loans issued to students	
Loans collected from students	
Other	205,470
Net cash used by operating activities	(13,197,808)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	9,545,127
Local appropriations	27,000
Grants and gifts	4,652,714
Agency receipts	225,509
Agency disbursements	(228,343)
PLUS, Stafford and Direct Lending loan receipts	1,262,740
PLUS, Stafford and Direct Lending loan disbursements	(1,258,775)
Borrowings	400,000
Loan repayments	(400,000)
Other non-operating revenue(expense)	(6,336,897)
Net cash provided (used) by non-capital financing activities	7,889,075
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	19,194,172
Capital appropriations-local	
Capital grants and gifts	64,335
Purchase capital assets	(13,713,143)
Proceeds from sale of capital assets	
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	5,545,364
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	282,013
Investment income	8,335
Net cash provided (used) by investing activities	290,348
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>526,979</b>
Cash and cash equivalents, beginning of year	3,854,088
<b>Cash and cash equivalents, End of Year</b>	<b>4,381,067</b>



**Virginia Community College System  
Danville Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(14,694,666)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,589,790
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	208,345
Prepaid expenses and other	34,295
Post employment benefits asset	(44,000)
Accrued compensation and leave	64,138
Accounts payable and other	(296,487)
Unearned revenue	199,038
Deposits pending distribution	
Pension liability	(2,183,000)
Post employment benefits liability	(514,637)
Deferred inflows of resources related to pensions and post employment benefits	1,790,290
Deferred outflows of resources related to pensions and post employment benefits	649,086
<b>Net cash used in operating activities</b>	<u><u>(13,197,808)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	4,382,424
Less: Securities Lending Cash Equivalents	<u>1,357</u>
Cash and cash equivalents end of year	<u><u>4,381,067</u></u>

**Noncash transactions**

Donated fixed assets  
Debt principal and interest payments made by Treasury  
Amortization of bond premium  
Capitalized bond interest costs  
Amortization of deferral on debt defeasance

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

**Virginia Community College System  
Eastern Shore Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Eastern Shore Community College Foundation</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	2,163,836	659,811
Appropriation available		
Short term investments (Note 2)		103,600
Accounts receivable, net (Note 3)	233,472	
Pledges receivable (Note 3)		204,686
Due from commonwealth (Note 4)		
Due from system office		
Interest receivable		
Prepaid expenses		
Inventories		
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>2,397,308</b>	<b>968,097</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	(812,481)	
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		969,993
Other long-term investments (Note 2)		2,008,501
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		146,931
Due from commonwealth (Note 4)	1,368,071	
Notes receivable, net (Note 3)		
Post employment benefit assets	131,000	
Non-depreciable capital assets, net (Note 5)	6,690,025	
Depreciable capital assets, net (Note 5)	6,109,429	
<b>Total Noncurrent Assets</b>	<b>13,486,044</b>	<b>3,125,425</b>
<b>Total Assets</b>	<b>15,883,352</b>	<b>4,093,522</b>
<b>Deferred Outflows of Resources</b> (Note 8)	790,714	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>16,674,066</b>	<b>4,093,522</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	1,603,764	339
Accrued payroll expense	349,708	1,294
Unearned revenue		
Long-term liabilities-current portion (Note 9)	113,463	
Securities lending obligation	29	
Due to Commonwealth		
Due to system's office		
Deposits	65,518	
<b>Total Current Liabilities</b>	<b>2,132,482</b>	<b>1,633</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	73,113	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	5,422,325	
<b>Total Noncurrent Liabilities</b>	<b>5,495,438</b>	
<b>Total Liabilities</b>	<b>7,627,920</b>	<b>1,633</b>

**Virginia Community College System  
 Eastern Shore Community College  
 Statement of Net Position  
 As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Eastern Shore Community College Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	618,157	
<b>Total Liabilities and Deferred Inflows of Resources</b>	8,246,077	1,633
 <b>Net Position</b>		
Net investment in capital assets	12,799,454	
Restricted for:		
Nonexpendable		908,159
Expendable	37,600	2,292,617
Unrestricted	(4,409,065)	891,113
<b>Total Net Position</b>	8,427,989	4,091,889

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

**Virginia Community College System**  
**Eastern Shore Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit</b>
		<b>Eastern Shore Community College Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$807,393)	1,050,487	
Federal grants and contracts	698,235	
State and local grants	64,263	
Nongovernmental grants		
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$2,529)	18,206	
Gifts and contributions		297,589
Endowment income		117,532
Other operating revenues	25,377	16,291
<b>Total Operating Revenue</b>	<b>1,856,568</b>	<b>431,412</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	3,256,587	
Public service	39,318	
Academic support	226,931	262,296
Student services	776,161	
Institutional support	1,417,661	109,210
Operation and maintenance	373,535	
Scholarships and fellowships	548,378	62,617
Auxiliary enterprises	24,531	
Fundraising		17,537
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>6,663,102</b>	<b>451,660</b>
<b>Operating Income (Loss)</b>	<b>(4,806,534)</b>	<b>(20,248)</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	3,650,196	
Local appropriations	40,444	
Grants and gifts	1,012,961	
Investment income	8,208	261,185
Interest on capital asset related debt		
Other nonoperating revenue (expense)	(52,687)	
<b>Net Nonoperating Revenue</b>	<b>4,659,122</b>	<b>261,185</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(147,412)</b>	<b>240,937</b>
Capital appropriations-state (Note 20)	3,270,392	
Capital appropriations-local	666,000	
Capital gifts, grants and contracts	204,697	
Additions to permanent and term endowments		
<b>Increase (Decrease) in Net Position</b>	<b>3,993,677</b>	<b>240,937</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>4,434,312</b>	<b>3,850,952</b>
<b>Net Position end of year</b>	<b>8,427,989</b>	<b>4,091,889</b>

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

**Virginia Community College System  
Eastern Shore Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	796,628
Grants and contracts	751,471
Payments to suppliers and others	(43,400)
Payments for employee wages	(3,538,710)
Payments for employee fringes and pension benefits	(1,387,654)
Payment for scholarships	(500,143)
Payments for utilities	(106,241)
Sales and services of education department	
Auxiliary	18,206
Loans issued to students	
Loans collected from students	322
Other	25,208
Net cash used by operating activities	(3,984,313)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	3,650,196
Local appropriations	40,444
Grants and gifts	1,012,961
Agency receipts	47,946
Agency disbursements	(47,743)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	(52,687)
Net cash provided (used) by non-capital financing activities	4,651,117
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	1,902,321
Capital appropriations-local	666,000
Capital grants and gifts	204,585
Purchase capital assets	(3,944,865)
Proceeds from sale of capital assets	
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(1,171,959)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	8,208
Net cash provided (used) by investing activities	8,208
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(496,947)</b>
Cash and cash equivalents, beginning of year	1,848,273
<b>Cash and cash equivalents, End of Year</b>	<b>1,351,326</b>

**Virginia Community College System  
Eastern Shore Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(4,806,534)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	451,611
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(198,615)
Prepaid expenses and other	
Post employment benefits asset	(31,000)
Accrued compensation and leave	(39,329)
Accounts payable and other	781,393
Unearned revenue	(64,780)
Deposits pending distribution	
Pension liability	(322,000)
Post employment benefits liability	(66,761)
Deferred inflows of resources related to pensions and post employment benefits	224,157
Deferred outflows of resources related to pensions and post employment benefits	87,545
<b>Net cash used in operating activities</b>	<u><u>(3,984,313)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	1,351,355
Less: Securities Lending Cash Equivalents	<u>29</u>
Cash and cash equivalents end of year	<u><u>1,351,326</u></u>

**Noncash transactions**

Donated fixed assets	112
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
 Germanna Community College  
 Statement of Net Position  
 As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Germanna Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	8,046,364	316,157
Appropriation available		
Short term investments (Note 2)	481,601	
Accounts receivable, net (Note 3)	910,921	2,271
Pledges receivable (Note 3)		250,000
Due from commonwealth (Note 4)		
Due from system office	54,179	
Interest receivable		
Prepaid expenses	1,658,462	4,500
Inventories	11,500	
Notes receivable, net (Note 3)		3,141
<b>Total Current Assets</b>	<b>11,163,027</b>	<b>576,069</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	2,252,985	
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)	18,560	
Appropriation available		
Endowment investments (Note 2)		3,100,730
Other long-term investments (Note 2)	1,680,575	3,471,054
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		1,357,728
Pledges receivable (Note 3)		238,095
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		5,111
Post employment benefit assets	585,000	
Non-depreciable capital assets, net (Note 5)	3,021,019	
Depreciable capital assets, net (Note 5)	43,313,184	
<b>Total Noncurrent Assets</b>	<b>50,871,323</b>	<b>8,172,718</b>
<b>Total Assets</b>	<b>62,034,350</b>	<b>8,748,787</b>
<b>Deferred Outflows of Resources</b> (Note 8)	2,537,770	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>64,572,120</b>	<b>8,748,787</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	954,728	12,731
Accrued payroll expense	2,304,452	
Unearned revenue	2,180,923	
Long-term liabilities-current portion (Note 9)	758,985	355,518
Securities lending obligation	1,498	
Due to Commonwealth		
Due to system's office		
Deposits	96,315	
<b>Total Current Liabilities</b>	<b>6,296,901</b>	<b>368,249</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	5,054,623	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	21,986,548	
<b>Total Noncurrent Liabilities</b>	<b>27,041,171</b>	
<b>Total Liabilities</b>	<b>33,338,072</b>	<b>368,249</b>

**Virginia Community College System  
 Germanna Community College  
 Statement of Net Position  
 As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Germanna Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	2,499,612	
<b>Total Liabilities and Deferred Inflows of Resources</b>	35,837,684	368,249
 <b>Net Position</b>		
Net investment in capital assets	41,303,221	
Restricted for:		
Nonexpendable	4,006	2,269,748
Expendable	2,901,464	4,928,121
Unrestricted	(15,474,255)	1,182,669
<b>Total Net Position</b>	28,734,436	8,380,538

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



**Virginia Community College System**  
**Germanna Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Germanna Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$6,958,631)	14,082,865	
Federal grants and contracts	681,365	
State and local grants	54,301	
Nongovernmental grants	803,424	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$21,789)	854,641	
Gifts and contributions		517,900
Endowment income		331,046
Other operating revenues	331,840	426,549
<b>Total Operating Revenue</b>	<b>16,808,436</b>	<b>1,275,495</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	17,166,843	
Public service	228,569	
Academic support	5,741,806	188,235
Student services	5,365,020	
Institutional support	4,776,165	222,831
Operation and maintenance	3,194,937	
Scholarships and fellowships	2,340,523	347,063
Auxiliary enterprises	160,089	
Fundraising		18,541
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>38,973,952</b>	<b>776,670</b>
<b>Operating Income (Loss)</b>	<b>(22,165,516)</b>	<b>498,825</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	15,082,871	
Local appropriations	117,891	
Grants and gifts	6,656,751	
Investment income	50,642	312,110
Interest on capital asset related debt	(170,290)	
Other nonoperating revenue (expense)	(184,401)	
<b>Net Nonoperating Revenue</b>	<b>21,553,464</b>	<b>312,110</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(612,052)</b>	<b>810,935</b>
Capital appropriations-state (Note 20)	684,135	
Capital appropriations-local	484,211	
Capital gifts, grants and contracts	153,462	
Additions to permanent and term endowments		28,811
<b>Increase (Decrease) in Net Position</b>	<b>709,756</b>	<b>839,746</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>28,024,680</b>	<b>7,540,792</b>
<b>Net Position end of year</b>	<b>28,734,436</b>	<b>8,380,538</b>

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

**Virginia Community College System  
 Germanna Community College  
 Statement of Cash Flows  
 For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	14,451,256
Grants and contracts	1,577,696
Payments to suppliers and others	(8,408,950)
Payments for employee wages	(19,238,832)
Payments for employee fringes and pension benefits	(6,330,401)
Payment for scholarships	(2,286,161)
Payments for utilities	(643,303)
Sales and services of education department	
Auxiliary	854,641
Loans issued to students	
Loans collected from students	
Other	332,444
Net cash used by operating activities	(19,691,610)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	15,082,871
Local appropriations	117,891
Grants and gifts	6,149,166
Agency receipts	239,804
Agency disbursements	(217,210)
PLUS, Stafford and Direct Lending loan receipts	3,566,857
PLUS, Stafford and Direct Lending loan disbursements	(3,566,857)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	(228,667)
Net cash provided (used) by non-capital financing activities	21,143,855
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	684,135
Capital appropriations-local	484,211
Capital grants and gifts	116,195
Purchase capital assets	(222,184)
Proceeds from sale of capital assets	8,009
Proceeds from bond issue	
Debt interest payments	(218,603)
Debt principal payments	(277,553)
Net cash provided (used) by capital financing activities	574,210
<b>Cash flows from investing activities:</b>	
Purchases of investments	(535,577)
Sale of investments	483,591
Investment income	77,056
Net cash provided (used) by investing activities	25,070
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,051,525</b>
Cash and cash equivalents, beginning of year	8,264,886
<b>Cash and cash equivalents, End of Year</b>	<b>10,316,411</b>

**Virginia Community College System  
 Germanna Community College  
 Statement of Cash Flows  
 For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(22,165,516)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,952,604
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	816,576
Prepaid expenses and other	(1,005,207)
Post employment benefits asset	(103,000)
Accrued compensation and leave	228,510
Accounts payable and other	(10,315)
Unearned revenue	352,648
Deposits pending distribution	
Pension liability	(2,416,000)
Post employment benefits liability	(387,367)
Deferred inflows of resources related to pensions and post employment benefits	2,008,612
Deferred outflows of resources related to pensions and post employment benefits	1,036,845
<b>Net cash used in operating activities</b>	<u><u>(19,691,610)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	10,317,909
Less: Securities Lending Cash Equivalents	1,498
Cash and cash equivalents end of year	<u><u>10,316,411</u></u>

**Noncash transactions**

Donated fixed assets	37,267
Debt principal and interest payments made by Treasury	
Amortization of bond premium	22,325
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System**  
**J. Sargeant Reynolds Community College**  
**Statement of Net Position**  
**As of June 30, 2018**

	<b>Community College</b>	<b>Component Units J. Sargeant Reynolds Community College Educational and Real Estate Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	9,953,668	1,028,871
Appropriation available		
Short term investments (Note 2)	1,790,136	
Accounts receivable, net (Note 3)	1,003,494	2,280
Pledges receivable (Note 3)		975,132
Due from commonwealth (Note 4)	898	
Due from system office	182,931	
Interest receivable		
Prepaid expenses	170,297	9,196
Inventories	13,456	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>13,114,880</b>	<b>2,015,479</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	134,026	
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		9,095,114
Other long-term investments (Note 2)	5,208,576	4,862,649
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		1,486,720
Due from commonwealth (Note 4)	3,888	
Notes receivable, net (Note 3)		
Post employment benefit assets	1,101,000	
Non-depreciable capital assets, net (Note 5)	4,614,701	105,999
Depreciable capital assets, net (Note 5)	80,407,263	28,635
<b>Total Noncurrent Assets</b>	<b>91,469,454</b>	<b>15,579,117</b>
<b>Total Assets</b>	<b>104,584,334</b>	<b>17,594,596</b>
<b>Deferred Outflows of Resources</b> (Note 8)	4,219,511	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>108,803,845</b>	<b>17,594,596</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	1,655,555	54,339
Accrued payroll expense	3,181,339	
Unearned revenue	2,846,370	
Long-term liabilities-current portion (Note 9)	2,175,888	588
Securities lending obligation	90	
Due to Commonwealth		
Due to system's office		
Deposits	214,730	
<b>Total Current Liabilities</b>	<b>10,073,972</b>	<b>54,927</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	3,444,425	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	44,956,247	
<b>Total Noncurrent Liabilities</b>	<b>48,400,672</b>	
<b>Total Liabilities</b>	<b>58,474,644</b>	<b>54,927</b>

Virginia Community College System  
 J. Sargeant Reynolds Community College  
 Statement of Net Position  
 As of June 30, 2018

	Community College	Component Units J. Sargeant Reynolds Community College Educational and Real Estate Foundation
<b>Deferred Inflows of Resources</b> (Note 17)	6,990,586	
<b>Total Liabilities and Deferred Inflows of Resources</b>	65,465,230	54,927
<b>Net Position</b>		
Net investment in capital assets	81,650,437	134,634
Restricted for:		
Nonexpendable		9,095,114
Expendable	885,895	7,005,960
Unrestricted	(39,197,717)	1,303,961
<b>Total Net Position</b>	43,338,615	17,539,669

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

**Virginia Community College System**  
**J. Sargeant Reynolds Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Units J. Sargeant Reynolds Community College Educational and Real Estate Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$8,340,136)	23,091,027	
Federal grants and contracts	1,795,171	
State and local grants	478,997	
Nongovernmental grants	526,087	
Sales/services of education department	18,121	
Auxiliary enterprises (net of scholarship allowance of \$26,093)	1,143,659	
Gifts and contributions		3,244,915
Endowment income		822,602
Other operating revenues	1,165,358	74,552
<b>Total Operating Revenue</b>	<b>28,218,420</b>	<b>4,142,069</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	31,683,640	
Public service	1,307,688	
Academic support	6,106,674	402,558
Student services	5,001,638	
Institutional support	8,490,083	297,063
Operation and maintenance	7,602,420	
Scholarships and fellowships	7,849,387	550,204
Auxiliary enterprises	718,071	
Fundraising		55,538
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>68,759,601</b>	<b>1,305,363</b>
<b>Operating Income (Loss)</b>	<b>(40,541,181)</b>	<b>2,836,706</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	25,771,114	
Local appropriations	232,438	
Grants and gifts	12,229,567	
Investment income	24,930	8,061
Interest on capital asset related debt	(89,103)	
Other nonoperating revenue (expense)	102,955	
<b>Net Nonoperating Revenue</b>	<b>38,271,901</b>	<b>8,061</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(2,269,280)</b>	<b>2,844,767</b>
Capital appropriations-state (Note 20)	276,105	
Capital appropriations-local	721,676	
Capital gifts, grants and contracts	353,385	
Additions to permanent and term endowments		664,684
<b>Increase (Decrease) in Net Position</b>	<b>(918,114)</b>	<b>3,509,451</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>44,256,729</b>	<b>14,030,218</b>
<b>Net Position end of year</b>	<b>43,338,615</b>	<b>17,539,669</b>

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

**Virginia Community College System**  
**J. Sargeant Reynolds Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	23,384,960
Grants and contracts	2,791,472
Payments to suppliers and others	(10,429,681)
Payments for employee wages	(34,369,011)
Payments for employee fringes and pension benefits	(11,869,652)
Payment for scholarships	(8,294,000)
Payments for utilities	(1,241,734)
Sales and services of education department	18,121
Auxiliary	1,143,659
Loans issued to students	
Loans collected from students	
Other	1,181,574
Net cash used by operating activities	(37,684,292)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	25,771,114
Local appropriations	232,438
Grants and gifts	12,229,567
Agency receipts	166,315
Agency disbursements	(159,611)
PLUS, Stafford and Direct Lending loan receipts	8,139,546
PLUS, Stafford and Direct Lending loan disbursements	(8,026,212)
Borrowings	400,000
Loan repayments	(400,000)
Other non-operating revenue(expense)	192,162
Net cash provided (used) by non-capital financing activities	38,545,319
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	599,164
Capital appropriations-local	721,676
Capital grants and gifts	326,891
Purchase capital assets	(3,307,406)
Proceeds from sale of capital assets	2,071
Proceeds from bond issue	
Debt interest payments	(112,012)
Debt principal payments	(295,000)
Net cash provided (used) by capital financing activities	(2,064,616)
<b>Cash flows from investing activities:</b>	
Purchases of investments	(6,443,270)
Sale of investments	2,450,000
Investment income	269,346
Net cash provided (used) by investing activities	(3,723,924)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,927,513)</b>
Cash and cash equivalents, beginning of year	15,015,117
<b>Cash and cash equivalents, End of Year</b>	<b>10,087,604</b>

**Virginia Community College System**  
**J. Sargeant Reynolds Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(40,541,181)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	3,545,131
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	352,117
Prepaid expenses and other	645,891
Post employment benefits asset	(141,000)
Accrued compensation and leave	(220,798)
Accounts payable and other	(735,391)
Unearned revenue	(51,649)
Deposits pending distribution	
Pension liability	(6,646,000)
Post employment benefits liability	(1,847,870)
Deferred inflows of resources related to pensions and post employment benefits	5,730,586
Deferred outflows of resources related to pensions and post employment benefits	2,225,872
<b>Net cash used in operating activities</b>	<u><u>(37,684,292)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	10,087,694
Less: Securities Lending Cash Equivalents	90
Cash and cash equivalents end of year	<u><u>10,087,604</u></u>
<b>Noncash transactions</b>	
Donated fixed assets	26,494
Debt principal and interest payments made by Treasury	
Amortization of bond premium	34,074
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	(24,757)

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



**Virginia Community College System  
John Tyler Community College  
Statement of Net Position  
As of June 30, 2018**

	Component Unit		
	Community College	John Tyler Community College Educational Foundation	John Tyler Community College Real Estate Foundation
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 2)	6,837,469	148,692	36,073
Appropriation available			
Short term investments (Note 2)	980,000		
Accounts receivable, net (Note 3)	1,524,804	90,361	
Pledges receivable (Note 3)		310,897	
Due from commonwealth (Note 4)			
Due from system office	66,085		
Interest receivable			
Prepaid expenses			
Inventories	21,342		
Notes receivable, net (Note 3)			
<b>Total Current Assets</b>	<u>9,429,700</u>	<u>549,950</u>	<u>36,073</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents (Note 2)	(101,122)		
Cash equivalents with trustees (Note 2)	245,664		
Endowment cash and cash equivalents (Note 2)		166,129	
Appropriation available			
Endowment investments (Note 2)		6,441,784	
Other long-term investments (Note 2)	974,971		
Accounts receivable, net (Note 3)			
Investments in real estate (Note 2)			
Pledges receivable (Note 3)			
Due from commonwealth (Note 4)	197,154		
Notes receivable, net (Note 3)			
Post employment benefit assets	700,000		
Non-depreciable capital assets, net (Note 5)	11,678,189		
Depreciable capital assets, net (Note 5)	72,096,923		
<b>Total Noncurrent Assets</b>	<u>85,791,779</u>	<u>6,607,913</u>	<u></u>
<b>Total Assets</b>	<u>95,221,479</u>	<u>7,157,863</u>	<u>36,073</u>
<b>Deferred Outflows of Resources</b> (Note 8)	2,599,651		
<b>Total Assets and Deferred Outflows of Resources</b>	<u>97,821,130</u>	<u>7,157,863</u>	<u>36,073</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts and retainage payable (Note 6)	920,290	9,243	769
Accrued payroll expense	1,646,929		
Unearned revenue	2,355,289		
Long-term liabilities-current portion (Note 9)	1,002,956		
Securities lending obligation	3		
Due to Commonwealth			
Due to system's office			
Deposits			
<b>Total Current Liabilities</b>	<u>5,925,467</u>	<u>9,243</u>	<u>769</u>
<b>Noncurrent Liabilities</b>			
Unearned revenue			
Long-term liabilities (Note 9)	5,936,101		
Due to federal government (Note 9)			
Pension and post employment benefit obligations (Note 9)	27,783,502		
<b>Total Noncurrent Liabilities</b>	<u>33,719,603</u>	<u></u>	<u></u>
<b>Total Liabilities</b>	<u>39,645,070</u>	<u>9,243</u>	<u>769</u>

**Virginia Community College System  
John Tyler Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Component Unit</u>		
	<u>Community College</u>	<u>John Tyler Community College Educational Foundation</u>	<u>John Tyler Community College Real Estate Foundation</u>
<b>Deferred Inflows of Resources</b> (Note 17)	3,905,724		
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>43,550,794</u>	<u>9,243</u>	<u>769</u>
<b>Net Position</b>			
Net investment in capital assets	78,199,720		
Restricted for:			
Nonexpendable		2,348,185	
Expendable	142,462	2,450,946	
Unrestricted	(24,071,846)	2,349,489	35,304
<b>Total Net Position</b>	<u>54,270,336</u>	<u>7,148,620</u>	<u>35,304</u>

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

**Virginia Community College System**  
**John Tyler Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit</b>	
		<b>John Tyler Community College Educational Foundation</b>	<b>John Tyler Community College Real Estate Foundation</b>
<b>Revenues</b>			
<b>Operating Revenue</b>			
Tuition and fees (net of scholarship allowance of \$8,920,268)	13,886,967		
Federal grants and contracts	466,750		
State and local grants	69,637		
Nongovernmental grants	213,172		
Sales/services of education department			
Auxiliary enterprises (net of scholarship allowance of \$27,955)	451,952		
Gifts and contributions		829,854	
Endowment income		431,402	
Other operating revenues	562,698	432,550	14,975
<b>Total Operating Revenue</b>	<u>15,651,176</u>	<u>1,693,806</u>	<u>14,975</u>
<b>Expenses</b>			
<b>Operating Expenses</b>			
Instruction	19,383,625	150,000	
Public service			
Academic support	3,402,398	547,707	
Student services	4,550,231		
Institutional support	7,985,789	444,316	9,671
Operation and maintenance	6,009,999		
Scholarships and fellowships	4,711,597	236,740	
Auxiliary enterprises	80,087		
Fundraising		266,179	
Other expenses			
<b>Total Operating Expenses (Note 12)</b>	<u>46,123,726</u>	<u>1,644,942</u>	<u>9,671</u>
<b>Operating Income (Loss)</b>	<u>(30,472,550)</u>	<u>48,864</u>	<u>5,304</u>
<b>Nonoperating Revenues(Expenses)</b>			
State appropriations (Note 13)	18,467,500		
Local appropriations	55,494		
Grants and gifts	9,543,449		
Investment income	11,736		
Interest on capital asset related debt	(161,210)		
Other nonoperating revenue (expense)	336,407		
<b>Net Nonoperating Revenue</b>	<u>28,253,376</u>		
<b>Income before other revenues, expenses gains (losses)</b>	<u>(2,219,174)</u>	<u>48,864</u>	<u>5,304</u>
Capital appropriations-state (Note 20)	1,462,293		
Capital appropriations-local			
Capital gifts, grants and contracts	134,991		30,000
Additions to permanent and term endowments		59,259	
<b>Increase (Decrease) in Net Position</b>	<u>(621,890)</u>	<u>108,123</u>	<u>35,304</u>
<b>Net Position</b>			
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<u>54,892,226</u>	<u>7,040,497</u>	
<b>Net Position end of year</b>	<u>54,270,336</u>	<u>7,148,620</u>	<u>35,304</u>

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

**Virginia Community College System  
John Tyler Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	14,553,596
Grants and contracts	746,704
Payments to suppliers and others	(7,267,643)
Payments for employee wages	(22,577,396)
Payments for employee fringes and pension benefits	(7,454,531)
Payment for scholarships	(4,900,625)
Payments for utilities	(892,667)
Sales and services of education department	
Auxiliary	485,911
Loans issued to students	
Loans collected from students	
Other	562,698
Net cash used by operating activities	(26,743,953)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	18,467,500
Local appropriations	55,494
Grants and gifts	9,119,669
Agency receipts	11,763
Agency disbursements	(5,286)
PLUS, Stafford and Direct Lending loan receipts	5,515,866
PLUS, Stafford and Direct Lending loan disbursements	(5,368,818)
Borrowings	125,000
Loan repayments	(125,000)
Other non-operating revenue(expense)	517,702
Net cash provided (used) by non-capital financing activities	28,313,890
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	1,540,722
Capital appropriations-local	
Capital grants and gifts	134,991
Purchase capital assets	(1,599,412)
Proceeds from sale of capital assets	37,179
Proceeds from bond issue	
Debt interest payments	(243,360)
Debt principal payments	(240,000)
Net cash provided (used) by capital financing activities	(369,880)
<b>Cash flows from investing activities:</b>	
Purchases of investments	(460,618)
Sale of investments	396,739
Investment income	10,287
Net cash provided (used) by investing activities	(53,592)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,146,465</b>
Cash and cash equivalents, beginning of year	5,835,543
<b>Cash and cash equivalents, End of Year</b>	<b>6,982,008</b>

**Virginia Community College System  
John Tyler Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(30,472,550)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	2,732,034
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(158,629)
Prepaid expenses and other	216,739
Post employment benefits asset	(106,000)
Accrued compensation and leave	189,996
Accounts payable and other	(118,218)
Unearned revenue	1,499,422
Deposits pending distribution	(250,948)
Pension liability	(3,819,000)
Post employment benefits liability	(875,047)
Deferred inflows of resources related to pensions and post employment benefits	3,172,724
Deferred outflows of resources related to pensions and post employment benefits	1,245,524
<b>Net cash used in operating activities</b>	<u><u>(26,743,953)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	6,982,011
Less: Securities Lending Cash Equivalents	<u>3</u>
Cash and cash equivalents end of year	<u><u>6,982,008</u></u>

**Noncash transactions**

Donated fixed assets	
Debt principal and interest payments made by Treasury	
Amortization of bond premium	38,866
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Lord Fairfax Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Lord Fairfax Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	8,000,875	1,225,886
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	2,650,199	652
Pledges receivable (Note 3)		133,567
Due from commonwealth (Note 4)		
Due from system office	736,809	
Interest receivable		
Prepaid expenses		
Inventories	4,750	5,762
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>11,392,633</b>	<b>1,365,867</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	683,863	
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		2,356,856
Appropriation available		
Endowment investments (Note 2)		8,283,298
Other long-term investments (Note 2)		963,503
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		221,340
Due from commonwealth (Note 4)	91,756	
Notes receivable, net (Note 3)		
Post employment benefit assets	598,000	
Non-depreciable capital assets, net (Note 5)	2,905,320	3,124,150
Depreciable capital assets, net (Note 5)	41,495,777	8,795,564
<b>Total Noncurrent Assets</b>	<b>45,774,716</b>	<b>23,744,711</b>
<b>Total Assets</b>	<b>57,167,349</b>	<b>25,110,578</b>
<b>Deferred Outflows of Resources</b> (Note 8)	2,734,471	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>59,901,820</b>	<b>25,110,578</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	1,428,862	33,806
Accrued payroll expense	1,886,951	18,356
Unearned revenue	630,012	
Long-term liabilities-current portion (Note 9)	470,610	217,440
Securities lending obligation	588	
Due to Commonwealth		
Due to system's office		
Deposits	219,829	
<b>Total Current Liabilities</b>	<b>4,636,852</b>	<b>269,602</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	244,444	6,815,792
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	22,789,481	
<b>Total Noncurrent Liabilities</b>	<b>23,033,925</b>	<b>6,815,792</b>
<b>Total Liabilities</b>	<b>27,670,777</b>	<b>7,085,394</b>

**Virginia Community College System  
 Lord Fairfax Community College  
 Statement of Net Position  
 As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Lord Fairfax Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	2,508,576	
<b>Total Liabilities and Deferred Inflows of Resources</b>	30,179,353	7,085,394
 <b>Net Position</b>		
Net investment in capital assets	44,401,097	4,886,482
Restricted for:		
Nonexpendable		4,933,551
Expendable	1,151,744	8,374,088
Unrestricted	(15,830,374)	(168,937)
<b>Total Net Position</b>	29,722,467	18,025,184

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

**Virginia Community College System**  
**Lord Fairfax Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Lord Fairfax Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$2,984,701)	17,819,513	
Federal grants and contracts	2,794,404	
State and local grants	354,534	
Nongovernmental grants	163,864	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$9,429)	407,416	
Gifts and contributions		875,959
Endowment income		846,782
Other operating revenues	341,474	1,149,018
<b>Total Operating Revenue</b>	<b>21,881,205</b>	<b>2,871,759</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	20,930,647	
Public service	810,968	
Academic support	3,111,768	
Student services	2,763,548	
Institutional support	6,121,382	913,495
Operation and maintenance	4,106,084	434,872
Scholarships and fellowships	4,643,035	251,430
Auxiliary enterprises	248,982	
Fundraising		97,841
Other expenses		226,719
<b>Total Operating Expenses (Note 12)</b>	<b>42,736,414</b>	<b>1,924,357</b>
<b>Operating Income (Loss)</b>	<b>(20,855,209)</b>	<b>947,402</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	15,035,209	
Local appropriations	332,200	
Grants and gifts	5,605,143	
Investment income	35,660	45,421
Interest on capital asset related debt		
Other nonoperating revenue (expense)	730,172	
<b>Net Nonoperating Revenue</b>	<b>21,738,384</b>	<b>45,421</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>883,175</b>	<b>992,823</b>
Capital appropriations-state (Note 20)	166,839	
Capital appropriations-local		
Capital gifts, grants and contracts	396,830	
Additions to permanent and term endowments		1,578,303
<b>Increase (Decrease) in Net Position</b>	<b>1,446,844</b>	<b>2,571,126</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>28,275,623</b>	<b>15,454,058</b>
<b>Net Position end of year</b>	<b>29,722,467</b>	<b>18,025,184</b>

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



**Virginia Community College System  
Lord Fairfax Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	17,843,650
Grants and contracts	2,722,362
Payments to suppliers and others	(9,530,664)
Payments for employee wages	(18,592,874)
Payments for employee fringes and pension benefits	(6,150,944)
Payment for scholarships	(4,775,782)
Payments for utilities	(637,313)
Sales and services of education department	
Auxiliary	407,409
Loans issued to students	
Loans collected from students	
Other	343,012
Net cash used by operating activities	(18,371,144)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	15,035,209
Local appropriations	332,200
Grants and gifts	4,724,158
Agency receipts	734,667
Agency disbursements	(713,840)
PLUS, Stafford and Direct Lending loan receipts	2,592,759
PLUS, Stafford and Direct Lending loan disbursements	(2,572,453)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	18,225
Net cash provided (used) by non-capital financing activities	20,150,925
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	125,761
Capital appropriations-local	
Capital grants and gifts	391,751
Purchase capital assets	(720,109)
Proceeds from sale of capital assets	14,791
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(187,806)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	35,578
Net cash provided (used) by investing activities	35,578
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,627,553</b>
Cash and cash equivalents, beginning of year	7,056,597
<b>Cash and cash equivalents, End of Year</b>	<b>8,684,150</b>

**Virginia Community College System  
 Lord Fairfax Community College  
 Statement of Cash Flows  
 For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(20,855,209)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,691,503
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(37,273)
Prepaid expenses and other	(1,750)
Post employment benefits asset	(106,000)
Accrued compensation and leave	(104,989)
Accounts payable and other	1,066,452
Unearned revenue	(459,261)
Deposits pending distribution	
Pension liability	(2,299,000)
Post employment benefits liability	(470,865)
Deferred inflows of resources related to pensions and post employment benefits	2,005,576
Deferred outflows of resources related to pensions and post employment benefits	1,199,672
<b>Net cash used in operating activities</b>	<u><u>(18,371,144)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	8,684,738
Less: Securities Lending Cash Equivalents	588
Cash and cash equivalents end of year	<u><u>8,684,150</u></u>

**Noncash transactions**

Donated fixed assets	5,079
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Mountain Empire Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Mountain Empire Community College Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	3,191,804	228,580
Appropriation available		
Short term investments (Note 2)	1,000,000	
Accounts receivable, net (Note 3)	254,074	6,824
Pledges receivable (Note 3)		400,000
Due from commonwealth (Note 4)	181,422	
Due from system office	29,175	
Interest receivable		
Prepaid expenses		7,777
Inventories	502,768	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<u>5,159,243</u>	<u>643,181</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		605,780
Appropriation available		
Endowment investments (Note 2)		24,819,603
Other long-term investments (Note 2)		
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		76,000
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	204,000	
Non-depreciable capital assets, net (Note 5)	1,365,795	
Depreciable capital assets, net (Note 5)	19,491,913	
<b>Total Noncurrent Assets</b>	<u>21,061,708</u>	<u>25,501,383</u>
<b>Total Assets</b>	<u>26,220,951</u>	<u>26,144,564</u>
<b>Deferred Outflows of Resources</b> (Note 8)	1,150,284	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>27,371,235</u>	<u>26,144,564</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	119,080	190,168
Accrued payroll expense	856,688	
Unearned revenue	58,251	
Long-term liabilities-current portion (Note 9)	347,507	
Securities lending obligation	710	
Due to Commonwealth		
Due to system's office		
Deposits	120,865	
<b>Total Current Liabilities</b>	<u>1,503,101</u>	<u>190,168</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	180,158	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	11,619,032	
<b>Total Noncurrent Liabilities</b>	<u>11,799,190</u>	
<b>Total Liabilities</b>	<u>13,302,291</u>	<u>190,168</u>

**Virginia Community College System  
Mountain Empire Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Mountain Empire Community College Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	1,528,821	
<b>Total Liabilities and Deferred Inflows of Resources</b>	14,831,112	190,168
 <b>Net Position</b>		
Net investment in capital assets	20,857,708	
Restricted for:		
Nonexpendable		9,338,042
Expendable	137,148	11,723,114
Unrestricted	(8,454,733)	4,893,240
<b>Total Net Position</b>	12,540,123	25,954,396

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

**Virginia Community College System  
Mountain Empire Community College  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Mountain Empire Community College Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$4,147,032)	3,364,380	
Federal grants and contracts	1,781,134	
State and local grants	79,112	
Nongovernmental grants	517,789	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$566,366)	463,608	
Gifts and contributions		35,934
Endowment income		2,741,944
Other operating revenues	12,003	49,170
<b>Total Operating Revenue</b>	<b>6,218,026</b>	<b>2,827,048</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	9,184,762	
Public service	262,519	
Academic support	1,703,610	320,592
Student services	2,075,456	
Institutional support	2,126,756	303,882
Operation and maintenance	2,086,845	104,343
Scholarships and fellowships	2,005,573	
Auxiliary enterprises	1,355,200	
Fundraising		42,242
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>20,800,721</b>	<b>771,059</b>
<b>Operating Income (Loss)</b>	<b>(14,582,695)</b>	<b>2,055,989</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	8,178,101	
Local appropriations	114,235	
Grants and gifts	5,296,053	
Investment income	15,966	12
Interest on capital asset related debt		
Other nonoperating revenue (expense)	338,898	
<b>Net Nonoperating Revenue</b>	<b>13,943,253</b>	<b>12</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(639,442)</b>	<b>2,056,001</b>
Capital appropriations-state (Note 20)		
Capital appropriations-local		
Capital gifts, grants and contracts	277,684	
Additions to permanent and term endowments		405,312
<b>Increase (Decrease) in Net Position</b>	<b>(361,758)</b>	<b>2,461,313</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>12,901,881</b>	<b>23,493,083</b>
<b>Net Position end of year</b>	<b>12,540,123</b>	<b>25,954,396</b>

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

**Virginia Community College System  
Mountain Empire Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	3,222,758
Grants and contracts	2,459,850
Payments to suppliers and others	(5,930,846)
Payments for employee wages	(8,460,534)
Payments for employee fringes and pension benefits	(3,385,315)
Payment for scholarships	(1,797,184)
Payments for utilities	(388,689)
Sales and services of education department	
Auxiliary	447,839
Loans issued to students	
Loans collected from students	
Other	12,003
Net cash used by operating activities	(13,820,118)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	8,178,101
Local appropriations	114,235
Grants and gifts	5,114,631
Agency receipts	483,137
Agency disbursements	(458,301)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	385,227
Net cash provided (used) by non-capital financing activities	13,817,030
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	
Capital grants and gifts	274,050
Purchase capital assets	(487,569)
Proceeds from sale of capital assets	5,474
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(208,045)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	15,958
Net cash provided (used) by investing activities	15,958
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(195,175)</b>
Cash and cash equivalents, beginning of year	3,386,269
<b>Cash and cash equivalents, End of Year</b>	<b>3,191,094</b>

**Virginia Community College System  
Mountain Empire Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(14,582,695)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,219,032
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(71,026)
Prepaid expenses and other	73,768
Post employment benefits asset	(37,000)
Accrued compensation and leave	61,714
Accounts payable and other	(111,855)
Unearned revenue	(6,901)
Deposits pending distribution	2,351
Pension liability	(1,223,000)
Post employment benefits liability	(395,390)
Deferred inflows of resources related to pensions and post employment benefits	915,821
Deferred outflows of resources related to pensions and post employment benefits	335,063
<b>Net cash used in operating activities</b>	<u><u>(13,820,118)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	3,191,804
Less: Securities Lending Cash Equivalents	710
Cash and cash equivalents end of year	<u><u>3,191,094</u></u>

**Noncash transactions**

Donated fixed assets	3,634
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
New River Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit New River Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	9,033,402	332,299
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	600,598	
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)	342,637	
Due from system office	93,624	
Interest receivable		
Prepaid expenses	867,552	
Inventories	8,103	
Notes receivable, net (Note 3)		55,473
<b>Total Current Assets</b>	<b>10,945,916</b>	<b>387,772</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		41,583
Appropriation available		
Endowment investments (Note 2)		11,232,325
Other long-term investments (Note 2)		2,878,238
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	288,000	
Non-depreciable capital assets, net (Note 5)	797,831	1,087,017
Depreciable capital assets, net (Note 5)	14,762,609	170,754
<b>Total Noncurrent Assets</b>	<b>15,848,440</b>	<b>15,409,917</b>
<b>Total Assets</b>	<b>26,794,356</b>	<b>15,797,689</b>
<b>Deferred Outflows of Resources</b> (Note 8)	1,232,684	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>28,027,040</b>	<b>15,797,689</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	551,808	34,057
Accrued payroll expense	1,264,117	
Unearned revenue	838,395	
Long-term liabilities-current portion (Note 9)	386,713	
Securities lending obligation	36	
Due to Commonwealth		
Due to system's office		
Deposits	3,482	
<b>Total Current Liabilities</b>	<b>3,044,551</b>	<b>34,057</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	326,234	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	13,661,809	
<b>Total Noncurrent Liabilities</b>	<b>13,988,043</b>	
<b>Total Liabilities</b>	<b>17,032,594</b>	<b>34,057</b>



**Virginia Community College System  
New River Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit New River Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	1,741,778	
<b>Total Liabilities and Deferred Inflows of Resources</b>	18,774,372	34,057
 <b>Net Position</b>		
Net investment in capital assets	15,560,440	1,257,771
Restricted for:		
Nonexpendable		6,387,797
Expendable	589,958	1,025,546
Unrestricted	(6,897,730)	7,092,518
<b>Total Net Position</b>	9,252,668	15,763,632

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

**Virginia Community College System**  
**New River Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit New River Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$3,608,080)	10,250,649	
Federal grants and contracts	955,131	
State and local grants	19,308	
Nongovernmental grants	31,965	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$11,352)	127,873	
Gifts and contributions		432,962
Endowment income		1,841,659
Other operating revenues	166,721	76,869
<b>Total Operating Revenue</b>	<b>11,551,647</b>	<b>2,351,490</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	15,064,623	
Public service	69,332	
Academic support	2,025,659	
Student services	1,434,883	
Institutional support	3,547,691	171,171
Operation and maintenance	2,660,148	
Scholarships and fellowships	2,475,966	584,338
Auxiliary enterprises	39,373	
Fundraising		42,000
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>27,317,675</b>	<b>797,509</b>
<b>Operating Income (Loss)</b>	<b>(15,766,028)</b>	<b>1,553,981</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	10,663,294	
Local appropriations	84,689	
Grants and gifts	5,209,298	
Investment income	99,927	124,733
Interest on capital asset related debt		
Other nonoperating revenue (expense)	240,944	
<b>Net Nonoperating Revenue</b>	<b>16,298,152</b>	<b>124,733</b>
<b>Income before other revenues, expenses gains (losses)</b>	532,124	1,678,714
Capital appropriations-state (Note 20)		
Capital appropriations-local		
Capital gifts, grants and contracts	27,565	
Additions to permanent and term endowments		795,330
<b>Increase (Decrease) in Net Position</b>	<b>559,689</b>	<b>2,474,044</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>8,692,979</b>	<b>13,289,588</b>
<b>Net Position end of year</b>	<b>9,252,668</b>	<b>15,763,632</b>

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

**Virginia Community College System  
New River Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	10,023,767
Grants and contracts	960,732
Payments to suppliers and others	(4,442,300)
Payments for employee wages	(14,535,453)
Payments for employee fringes and pension benefits	(3,801,926)
Payment for scholarships	(2,477,165)
Payments for utilities	(497,206)
Sales and services of education department	
Auxiliary	128,077
Loans issued to students	
Loans collected from students	
Other	170,054
Net cash used by operating activities	(14,471,420)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	10,663,294
Local appropriations	84,689
Grants and gifts	4,866,661
Agency receipts	44,691
Agency disbursements	(114,709)
PLUS, Stafford and Direct Lending loan receipts	2,545,814
PLUS, Stafford and Direct Lending loan disbursements	(2,542,332)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	249,171
Net cash provided (used) by non-capital financing activities	15,797,279
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	
Capital grants and gifts	27,280
Purchase capital assets	(849,268)
Proceeds from sale of capital assets	
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(821,988)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	99,927
Net cash provided (used) by investing activities	99,927
<b>Net increase (decrease) in cash and cash equivalents</b>	603,798
Cash and cash equivalents, beginning of year	8,429,568
<b>Cash and cash equivalents, End of Year</b>	<b>9,033,366</b>

**Virginia Community College System  
New River Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(15,766,028)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,605,976
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(210,028)
Prepaid expenses and other	105,926
Post employment benefits asset	(48,000)
Accrued compensation and leave	(28,288)
Accounts payable and other	53,694
Unearned revenue	68,206
Deposits pending distribution	70,018
Pension liability	(1,470,000)
Post employment benefits liability	(468,052)
Deferred inflows of resources related to pensions and post employment benefits	1,143,778
Deferred outflows of resources related to pensions and post employment benefits	471,378
<b>Net cash used in operating activities</b>	<b><u><u>(14,471,420)</u></u></b>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	9,033,402
Less: Securities Lending Cash Equivalents	<u>36</u>
Cash and cash equivalents end of year	<b><u><u>9,033,366</u></u></b>

**Noncash transactions**

Donated fixed assets	285
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Northern Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Northern Virginia Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	79,710,041	1,635,615
Appropriation available		
Short term investments (Note 2)		5,904,641
Accounts receivable, net (Note 3)	567,054	
Pledges receivable (Note 3)		5,000
Due from commonwealth (Note 4)	2,654,939	
Due from system office	519,234	
Interest receivable		29,399
Prepaid expenses	9,714,818	5,674
Inventories		
Notes receivable, net (Note 3)	1,500,827	
<b>Total Current Assets</b>	<b>94,666,913</b>	<b>7,580,329</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	(127,921)	
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		411,305
Appropriation available	79,310	
Endowment investments (Note 2)		7,087,482
Other long-term investments (Note 2)	34,292,853	8,786,627
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		9,068
Due from commonwealth (Note 4)	283,085	
Notes receivable, net (Note 3)	1,521,220	
Post employment benefit assets	4,621,000	
Non-depreciable capital assets, net (Note 5)	21,214,208	
Depreciable capital assets, net (Note 5)	330,675,926	
<b>Total Noncurrent Assets</b>	<b>392,559,681</b>	<b>16,294,482</b>
<b>Total Assets</b>	<b>487,226,594</b>	<b>23,874,811</b>
<b>Deferred Outflows of Resources</b> (Note 8)	17,709,575	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>504,936,169</b>	<b>23,874,811</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	12,610,723	41,082
Accrued payroll expense	14,250,467	
Unearned revenue	26,638,347	168,157
Long-term liabilities-current portion (Note 9)	5,491,119	
Securities lending obligation	805	
Due to Commonwealth		
Due to system's office		
Deposits	3,125,409	1,331,923
<b>Total Current Liabilities</b>	<b>62,116,870</b>	<b>1,541,162</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue	65,300	
Long-term liabilities (Note 9)	6,816,187	
Due to federal government (Note 9)	3,229,152	
Pension and post employment benefit obligations (Note 9)	178,415,922	
<b>Total Noncurrent Liabilities</b>	<b>188,526,561</b>	
<b>Total Liabilities</b>	<b>250,643,431</b>	<b>1,541,162</b>

**Virginia Community College System  
Northern Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Northern Virginia Community College Educational Foundation</u>
<b>Deferred Inflows of Resources</b> (Note 17)	29,263,547	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>279,906,978</u>	<u>1,541,162</u>
<b>Net Position</b>		
Net investment in capital assets	347,466,214	
Restricted for:		
Nonexpendable	3,984	5,219,821
Expendable	5,032,064	6,285,625
Unrestricted	<u>(127,473,071)</u>	<u>10,828,203</u>
<b>Total Net Position</b>	<u>225,029,191</u>	<u>22,333,649</u>

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

**Virginia Community College System**  
**Northern Virginia Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Northern Virginia Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$51,908,322)	134,043,311	
Federal grants and contracts	9,691,906	
State and local grants	698,059	
Nongovernmental grants	4,046,721	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$163,328)	6,375,703	
Gifts and contributions		1,107,676
Endowment income		424,253
Other operating revenues	5,698,082	666,794
<b>Total Operating Revenue</b>	<u>160,553,782</u>	<u>2,198,723</u>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	144,857,693	2,169
Public service	1,428,663	966,898
Academic support	24,389,915	
Student services	33,161,456	
Institutional support	57,356,980	413,777
Operation and maintenance	40,484,459	
Scholarships and fellowships	19,723,375	439,916
Auxiliary enterprises	4,782,924	
Fundraising		143,528
Other expenses	100,533	
<b>Total Operating Expenses (Note 12)</b>	<u>326,285,998</u>	<u>1,966,288</u>
<b>Operating Income (Loss)</b>	<u>(165,732,216)</u>	<u>232,435</u>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	106,060,808	
Local appropriations	187,429	
Grants and gifts	54,810,377	
Investment income	198,177	684,389
Interest on capital asset related debt	(163,768)	
Other nonoperating revenue (expense)	(1,732,752)	
<b>Net Nonoperating Revenue</b>	<u>159,360,271</u>	<u>684,389</u>
<b>Income before other revenues, expenses gains (losses)</b>	<u>(6,371,945)</u>	<u>916,824</u>
Capital appropriations-state (Note 20)	4,219,955	
Capital appropriations-local	5,481,330	
Capital gifts, grants and contracts	62,333	
Additions to permanent and term endowments		1,055,929
<b>Increase (Decrease) in Net Position</b>	<u>3,391,673</u>	<u>1,972,753</u>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<u>221,637,518</u>	<u>20,360,896</u>
<b>Net Position end of year</b>	<u>225,029,191</u>	<u>22,333,649</u>

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

**Virginia Community College System  
Northern Virginia Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	134,442,125
Grants and contracts	14,261,284
Payments to suppliers and others	(86,825,300)
Payments for employee wages	(154,666,788)
Payments for employee fringes and pension benefits	(48,357,341)
Payment for scholarships	(19,574,535)
Payments for utilities	(3,948,663)
Sales and services of education department	
Auxiliary	6,375,703
Loans issued to students	
Loans collected from students	365,235
Other	5,403,615
Net cash used by operating activities	(152,524,665)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	106,060,808
Local appropriations	187,429
Grants and gifts	52,176,145
Agency receipts	2,833,846
Agency disbursements	(2,765,480)
PLUS, Stafford and Direct Lending loan receipts	41,980,968
PLUS, Stafford and Direct Lending loan disbursements	(42,418,111)
Borrowings	
Loan repayments	(258,051)
Other non-operating revenue(expense)	(1,843,039)
Net cash provided (used) by non-capital financing activities	155,954,515
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	5,661,589
Capital appropriations-local	5,481,330
Capital grants and gifts	54,941
Purchase capital assets	(7,772,708)
Proceeds from sale of capital assets	48,801
Proceeds from bond issue	
Debt interest payments	(269,456)
Debt principal payments	(845,000)
Net cash provided (used) by capital financing activities	2,359,497
<b>Cash flows from investing activities:</b>	
Purchases of investments	(7,059,335)
Sale of investments	6,731,411
Investment income	722,691
Net cash provided (used) by investing activities	394,767
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,184,114</b>
Cash and cash equivalents, beginning of year	73,397,201
<b>Cash and cash equivalents, End of Year</b>	<b>79,581,315</b>



**Virginia Community College System  
Northern Virginia Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(165,732,216)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	13,602,407
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	3,214,003
Prepaid expenses and other	5,090,628
Post employment benefits asset	(528,000)
Accrued compensation and leave	474,044
Accounts payable and other	(6,242,780)
Unearned revenue	6,339
Deposits pending distribution	
Pension liability	(29,519,000)
Post employment benefits liability	(7,028,475)
Deferred inflows of resources related to pensions and post employment benefits	24,923,547
Deferred outflows of resources related to pensions and post employment benefits	9,214,838
<b>Net cash used in operating activities</b>	<u><u>(152,524,665)</u></u>

Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	79,582,120
Less: Securities Lending Cash Equivalents	<u>805</u>
Cash and cash equivalents end of year	<u><u>79,581,315</u></u>

**Noncash transactions**

Donated fixed assets	7,392
Debt principal and interest payments made by Treasury	
Amortization of bond premium	109,790
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	(63,400)

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

**Virginia Community College System  
Patrick Henry Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Patrick Henry Community College Foundation</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	2,828,283	474,043
Appropriation available		
Short term investments (Note 2)	665,524	865,560
Accounts receivable, net (Note 3)	229,359	
Pledges receivable (Note 3)		59,054
Due from commonwealth (Note 4)	223,482	
Due from system office	103,306	
Interest receivable		
Prepaid expenses		
Inventories	7,700	
Notes receivable, net (Note 3)	14,877	
<b>Total Current Assets</b>	<u>4,072,531</u>	<u>1,398,657</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		9,551,941
Other long-term investments (Note 2)		7,717,693
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		60,754
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	468,000	
Non-depreciable capital assets, net (Note 5)	819,071	111,906
Depreciable capital assets, net (Note 5)	24,763,519	1,285,397
<b>Total Noncurrent Assets</b>	<u>26,050,590</u>	<u>18,727,691</u>
<b>Total Assets</b>	<u>30,123,121</u>	<u>20,126,348</u>
<b>Deferred Outflows of Resources</b> (Note 8)	2,669,233	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>32,792,354</u>	<u>20,126,348</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	664,137	18,003
Accrued payroll expense	898,510	
Unearned revenue	335,690	
Long-term liabilities-current portion (Note 9)	444,641	
Securities lending obligation	2	
Due to Commonwealth		
Due to system's office		
Deposits	41,903	744,175
<b>Total Current Liabilities</b>	<u>2,384,883</u>	<u>762,178</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	192,033	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	17,313,900	
<b>Total Noncurrent Liabilities</b>	<u>17,505,933</u>	
<b>Total Liabilities</b>	<u>19,890,816</u>	<u>762,178</u>

**Virginia Community College System  
Patrick Henry Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Patrick Henry Community College Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	2,236,842	
<b>Total Liabilities and Deferred Inflows of Resources</b>	22,127,658	762,178
 <b>Net Position</b>		
Net investment in capital assets	25,582,590	1,397,303
Restricted for:		
Nonexpendable		7,220,945
Expendable	239,414	2,798,904
Unrestricted	(15,157,308)	7,947,018
<b>Total Net Position</b>	10,664,696	19,364,170

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

**Virginia Community College System**  
**Patrick Henry Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Patrick Henry Community College Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$3,410,337)	4,454,606	
Federal grants and contracts	2,315,148	
State and local grants	619,228	
Nongovernmental grants	1,033,698	169,885
Sales/services of education department	8,813	
Auxiliary enterprises (net of scholarship allowance of \$10,683)	60,078	
Gifts and contributions		292,554
Endowment income		1,178,353
Other operating revenues	618,413	121,697
<b>Total Operating Revenue</b>	<u>9,109,984</u>	<u>1,762,489</u>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	8,185,884	205,735
Public service	916,621	7,075
Academic support	3,275,370	186,842
Student services	2,979,685	16,093
Institutional support	3,218,034	224,164
Operation and maintenance	1,528,885	138,296
Scholarships and fellowships	1,918,132	705,655
Auxiliary enterprises	22,510	
Fundraising		27,431
Other expenses	362,647	432,021
<b>Total Operating Expenses (Note 12)</b>	<u>22,407,768</u>	<u>1,943,312</u>
<b>Operating Income (Loss)</b>	<u>(13,297,784)</u>	<u>(180,823)</u>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	8,208,354	
Local appropriations	105,599	
Grants and gifts	4,040,305	
Investment income	41,534	1,430
Interest on capital asset related debt		
Other nonoperating revenue (expense)	91,010	
<b>Net Nonoperating Revenue</b>	<u>12,486,802</u>	<u>1,430</u>
<b>Income before other revenues, expenses gains (losses)</b>	<u>(810,982)</u>	<u>(179,393)</u>
Capital appropriations-state (Note 20)	1,996,774	
Capital appropriations-local		
Capital gifts, grants and contracts	399,295	
Additions to permanent and term endowments		83,774
<b>Increase (Decrease) in Net Position</b>	<u>1,585,087</u>	<u>(95,619)</u>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<u>9,079,609</u>	<u>19,459,789</u>
<b>Net Position end of year</b>	<u>10,664,696</u>	<u>19,364,170</u>

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

**Virginia Community College System  
Patrick Henry Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	4,680,873
Grants and contracts	4,057,530
Payments to suppliers and others	(5,679,736)
Payments for employee wages	(9,372,040)
Payments for employee fringes and pension benefits	(4,130,241)
Payment for scholarships	(1,935,726)
Payments for utilities	(355,000)
Sales and services of education department	8,813
Auxiliary	40,078
Loans issued to students	(12,376)
Loans collected from students	158,130
Other	257,419
Net cash used by operating activities	(12,282,276)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	8,208,354
Local appropriations	105,599
Grants and gifts	3,827,473
Agency receipts	405,594
Agency disbursements	(422,273)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	150,000
Loan repayments	(50,000)
Other non-operating revenue(expense)	(16,079)
Net cash provided (used) by non-capital financing activities	12,208,668
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	3,104,572
Capital appropriations-local	
Capital grants and gifts	399,227
Purchase capital assets	(3,036,124)
Proceeds from sale of capital assets	6,053
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	473,728
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	10,689
Net cash provided (used) by investing activities	10,689
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>410,809</b>
Cash and cash equivalents, beginning of year	2,417,472
<b>Cash and cash equivalents, End of Year</b>	<b>2,828,281</b>

**Virginia Community College System  
Patrick Henry Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(13,297,784)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,346,689
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	422,200
Prepaid expenses and other	49
Post employment benefits asset	(112,000)
Accrued compensation and leave	56,203
Accounts payable and other	(420,809)
Unearned revenue	22,083
Deposits pending distribution	
Pension liability	(606,000)
Post employment benefits liability	(75,533)
Deferred inflows of resources related to pensions and post employment benefits	835,842
Deferred outflows of resources related to pensions and post employment benefits	(453,216)
<b>Net cash used in operating activities</b>	<u><u>(12,282,276)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	2,828,283
Less: Securities Lending Cash Equivalents	<u>2</u>
Cash and cash equivalents end of year	<u><u>2,828,281</u></u>

**Noncash transactions**

Donated fixed assets	68
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Paul D. Camp Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Paul D. Camp Community College Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	1,409,379	336,398
Appropriation available		
Short term investments (Note 2)	254,714	
Accounts receivable, net (Note 3)	261,273	13,733
Pledges receivable (Note 3)		31,345
Due from commonwealth (Note 4)	175,308	
Due from system office	83,537	
Interest receivable		
Prepaid expenses	8,582	
Inventories	14,000	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>2,206,793</b>	<b>381,476</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)	17,606	
Appropriation available		
Endowment investments (Note 2)		533,367
Other long-term investments (Note 2)		667,756
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		6,793
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	151,000	
Non-depreciable capital assets, net (Note 5)	1,257,695	48,750
Depreciable capital assets, net (Note 5)	9,682,276	
<b>Total Noncurrent Assets</b>	<b>11,108,577</b>	<b>1,256,666</b>
<b>Total Assets</b>	<b>13,315,370</b>	<b>1,638,142</b>
<b>Deferred Outflows of Resources</b> (Note 8)	579,732	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>13,895,102</b>	<b>1,638,142</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	522,744	7,146
Accrued payroll expense	605,414	
Unearned revenue	288,083	
Long-term liabilities-current portion (Note 9)	186,745	
Securities lending obligation	11	
Due to Commonwealth		
Due to system's office		
Deposits	261,126	
<b>Total Current Liabilities</b>	<b>1,864,123</b>	<b>7,146</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	221,142	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	5,892,739	
<b>Total Noncurrent Liabilities</b>	<b>6,113,881</b>	
<b>Total Liabilities</b>	<b>7,978,004</b>	<b>7,146</b>

**Virginia Community College System  
Paul D. Camp Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Paul D. Camp Community College Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	1,144,869	
<b>Total Liabilities and Deferred Inflows of Resources</b>	9,122,873	7,146
 <b>Net Position</b>		
Net investment in capital assets	10,736,404	48,750
Restricted for:		
Nonexpendable		300,565
Expendable	240,080	893,197
Unrestricted	(6,204,255)	388,484
<b>Total Net Position</b>	4,772,229	1,630,996

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



**Virginia Community College System**  
**Paul D. Camp Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Paul D. Camp Community College Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$1,534,101)	2,145,301	
Federal grants and contracts	1,024,917	
State and local grants	90,013	
Nongovernmental grants	115,405	449,300
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$4,715)	22,385	
Gifts and contributions		97,620
Endowment income		28,924
Other operating revenues	135,329	117,141
<b>Total Operating Revenue</b>	<b>3,533,350</b>	<b>692,985</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	5,083,172	
Public service	124,395	
Academic support	438,270	388,223
Student services	1,534,055	
Institutional support	2,128,353	102,625
Operation and maintenance	863,176	
Scholarships and fellowships	1,122,623	183,788
Auxiliary enterprises	61,631	
Fundraising		25,288
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>11,355,675</b>	<b>699,924</b>
<b>Operating Income (Loss)</b>	<b>(7,822,325)</b>	<b>(6,939)</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	5,491,706	
Local appropriations	26,889	
Grants and gifts	2,290,394	
Investment income	3,047	36,900
Interest on capital asset related debt	(3,609)	
Other nonoperating revenue (expense)	207,833	
<b>Net Nonoperating Revenue</b>	<b>8,016,260</b>	<b>36,900</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>193,935</b>	<b>29,961</b>
Capital appropriations-state (Note 20)		
Capital appropriations-local		
Capital gifts, grants and contracts	348,991	
Additions to permanent and term endowments		160,157
<b>Increase (Decrease) in Net Position</b>	<b>542,926</b>	<b>190,118</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>4,229,303</b>	<b>1,440,878</b>
<b>Net Position end of year</b>	<b>4,772,229</b>	<b>1,630,996</b>

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

**Virginia Community College System  
Paul D. Camp Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	1,755,481
Grants and contracts	1,189,964
Payments to suppliers and others	(1,999,571)
Payments for employee wages	(5,254,266)
Payments for employee fringes and pension benefits	(1,982,793)
Payment for scholarships	(1,134,147)
Payments for utilities	(359,294)
Sales and services of education department	
Auxiliary	23,906
Loans issued to students	
Loans collected from students	
Other	142,293
Net cash used by operating activities	(7,618,427)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	5,491,706
Local appropriations	26,889
Grants and gifts	2,115,086
Agency receipts	2,378
Agency disbursements	(12,310)
PLUS, Stafford and Direct Lending loan receipts	921,491
PLUS, Stafford and Direct Lending loan disbursements	(918,029)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	117,741
Net cash provided (used) by non-capital financing activities	7,744,952
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	
Capital grants and gifts	226,475
Purchase capital assets	(830,596)
Proceeds from sale of capital assets	6,555
Proceeds from bond issue	
Debt interest payments	(3,609)
Debt principal payments	(31,698)
Net cash provided (used) by capital financing activities	(632,873)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	2,656
Net cash provided (used) by investing activities	2,656
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(503,692)</b>
Cash and cash equivalents, beginning of year	1,930,666
<b>Cash and cash equivalents, End of Year</b>	<b>1,426,974</b>

**Virginia Community College System  
Paul D. Camp Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(7,822,325)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	663,038
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(74,453)
Prepaid expenses and other	1,498
Post employment benefits asset	(27,000)
Accrued compensation and leave	103,148
Accounts payable and other	398,554
Unearned revenue	(47,082)
Deposits pending distribution	(263,601)
Pension liability	(582,000)
Post employment benefits liability	(181,780)
Deferred inflows of resources related to pensions and post employment benefits	92,869
Deferred outflows of resources related to pensions and post employment benefits	120,707
<b>Net cash used in operating activities</b>	<u><u>(7,618,427)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	1,426,985
Less: Securities Lending Cash Equivalents	11
Cash and cash equivalents end of year	<u><u>1,426,974</u></u>

**Noncash transactions**

Donated fixed assets	122,516
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Piedmont Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Piedmont Virginia Community College Educational Foundation</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	5,791,778	650,661
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	467,953	
Pledges receivable (Note 3)		496,376
Due from commonwealth (Note 4)		
Due from system office	796	
Interest receivable		211,779
Prepaid expenses	17,180	
Inventories	10,000	
Notes receivable, net (Note 3)	20,805	43,844
<b>Total Current Assets</b>	<u>6,308,512</u>	<u>1,402,660</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		868,968
Appropriation available		
Endowment investments (Note 2)		9,183,519
Other long-term investments (Note 2)		1,051,110
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		2,341,248
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)	51,095	367,491
Post employment benefit assets	434,000	
Non-depreciable capital assets, net (Note 5)	2,889,152	
Depreciable capital assets, net (Note 5)	19,729,710	
<b>Total Noncurrent Assets</b>	<u>23,103,957</u>	<u>13,812,336</u>
<b>Total Assets</b>	<u>29,412,469</u>	<u>15,214,996</u>
<b>Deferred Outflows of Resources</b> (Note 8)	2,103,572	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>31,516,041</u>	<u>15,214,996</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	368,514	28,850
Accrued payroll expense	1,583,661	149,750
Unearned revenue	1,535,426	
Long-term liabilities-current portion (Note 9)	654,831	4,250
Securities lending obligation	6,007	
Due to Commonwealth		
Due to system's office		
Deposits	675,399	
<b>Total Current Liabilities</b>	<u>4,823,838</u>	<u>182,850</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	315,449	20,348
Due to federal government (Note 9)	77,529	
Pension and post employment benefit obligations (Note 9)	16,879,348	
<b>Total Noncurrent Liabilities</b>	<u>17,272,326</u>	<u>20,348</u>
<b>Total Liabilities</b>	<u>22,096,164</u>	<u>203,198</u>

**Virginia Community College System  
Piedmont Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Piedmont Virginia Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	1,821,162	
<b>Total Liabilities and Deferred Inflows of Resources</b>	23,917,326	203,198
 <b>Net Position</b>		
Net investment in capital assets	22,618,862	
Restricted for:		
Nonexpendable		4,530,112
Expendable	343,481	8,060,657
Unrestricted	(15,363,628)	2,421,029
<b>Total Net Position</b>	7,598,715	15,011,798

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

**Virginia Community College System**  
**Piedmont Virginia Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Piedmont Virginia Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$3,313,193)	12,956,244	
Federal grants and contracts	1,462,663	
State and local grants	1,020,675	
Nongovernmental grants	18,393	
Sales/services of education department	7,310	
Auxiliary enterprises (net of scholarship allowance of \$10,421)	152,989	
Gifts and contributions		3,147,504
Endowment income		1,008,892
Other operating revenues	207,401	5,550
<b>Total Operating Revenue</b>	<b>15,825,675</b>	<b>4,161,946</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	15,548,188	
Public service	3,076,700	
Academic support	2,230,065	913,327
Student services	3,434,739	
Institutional support	3,990,858	203,379
Operation and maintenance	1,974,334	
Scholarships and fellowships	3,286,126	313,764
Auxiliary enterprises	59,418	
Fundraising		158,995
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>33,600,428</b>	<b>1,589,465</b>
<b>Operating Income (Loss)</b>	<b>(17,774,753)</b>	<b>2,572,481</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	12,205,074	
Local appropriations	64,378	
Grants and gifts	4,521,916	
Investment income	30,875	26,181
Interest on capital asset related debt		
Other nonoperating revenue (expense)	(53,318)	
<b>Net Nonoperating Revenue</b>	<b>16,768,925</b>	<b>26,181</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(1,005,828)</b>	<b>2,598,662</b>
Capital appropriations-state (Note 20)	589,100	
Capital appropriations-local	17,179	
Capital gifts, grants and contracts	283,450	
Additions to permanent and term endowments		143,839
<b>Increase (Decrease) in Net Position</b>	<b>(116,099)</b>	<b>2,742,501</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>7,714,814</b>	<b>12,269,297</b>
<b>Net Position end of year</b>	<b>7,598,715</b>	<b>15,011,798</b>

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

**Virginia Community College System  
Piedmont Virginia Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	12,847,581
Grants and contracts	2,604,281
Payments to suppliers and others	(5,287,124)
Payments for employee wages	(17,960,074)
Payments for employee fringes and pension benefits	(5,367,256)
Payment for scholarships	(3,340,782)
Payments for utilities	(311,525)
Sales and services of education department	7,310
Auxiliary	155,468
Loans issued to students	(23,395)
Loans collected from students	3,499
Other	223,176
Net cash used by operating activities	(16,448,841)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	12,205,074
Local appropriations	64,378
Grants and gifts	4,521,916
Agency receipts	2,379,390
Agency disbursements	(2,182,561)
PLUS, Stafford and Direct Lending loan receipts	2,292,496
PLUS, Stafford and Direct Lending loan disbursements	(2,295,369)
Borrowings	225,000
Loan repayments	(150,000)
Other non-operating revenue(expense)	(55,842)
Net cash provided (used) by non-capital financing activities	17,004,482
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	589,100
Capital appropriations-local	17,179
Capital grants and gifts	283,388
Purchase capital assets	(116,828)
Proceeds from sale of capital assets	2,920
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	775,759
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	30,812
Net cash provided (used) by investing activities	30,812
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,362,212</b>
Cash and cash equivalents, beginning of year	4,423,559
<b>Cash and cash equivalents, End of Year</b>	<b>5,785,771</b>

**Virginia Community College System  
Piedmont Virginia Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(17,774,753)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,150,372
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(195,658)
Prepaid expenses and other	11,119
Post employment benefits asset	(79,000)
Accrued compensation and leave	(5,971)
Accounts payable and other	151,083
Unearned revenue	292,579
Deposits pending distribution	(116,370)
Pension liability	(1,617,000)
Post employment benefits liability	(261,934)
Deferred inflows of resources related to pensions and post employment benefits	1,462,162
Deferred outflows of resources related to pensions and post employment benefits	534,530
<b>Net cash used in operating activities</b>	<u><u>(16,448,841)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	5,791,778
Less: Securities Lending Cash Equivalents	<u>6,007</u>
Cash and cash equivalents end of year	<u><u>5,785,771</u></u>

**Noncash transactions**

Donated fixed assets	62
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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



**Virginia Community College System  
Rappahannock Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Rappahannock Community College Educational Foundation</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	3,066,998	254,657
Appropriation available		
Short term investments (Note 2)	505,184	
Accounts receivable, net (Note 3)	65,580	
Pledges receivable (Note 3)		85,399
Due from commonwealth (Note 4)		
Due from system office	939	
Interest receivable	11,368	
Prepaid expenses	3,266	1,064
Inventories	88,409	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<u>3,741,744</u>	<u>341,120</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		10,151,674
Other long-term investments (Note 2)		591,569
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		50,000
Pledges receivable (Note 3)		68,757
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	252,000	
Non-depreciable capital assets, net (Note 5)	356,550	6,857
Depreciable capital assets, net (Note 5)	13,326,493	
<b>Total Noncurrent Assets</b>	<u>13,935,043</u>	<u>10,868,857</u>
<b>Total Assets</b>	<u>17,676,787</u>	<u>11,209,977</u>
<b>Deferred Outflows of Resources</b> (Note 8)	933,541	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>18,610,328</u>	<u>11,209,977</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	322,822	18,200
Accrued payroll expense	865,012	
Unearned revenue	554,343	
Long-term liabilities-current portion (Note 9)	327,420	
Securities lending obligation	1,118	
Due to Commonwealth		
Due to system's office		
Deposits	759,855	
<b>Total Current Liabilities</b>	<u>2,830,570</u>	<u>18,200</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	320,024	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	10,328,293	
<b>Total Noncurrent Liabilities</b>	<u>10,648,317</u>	
<b>Total Liabilities</b>	<u>13,478,887</u>	<u>18,200</u>

**Virginia Community College System  
Rappahannock Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Rappahannock Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	1,262,098	
<b>Total Liabilities and Deferred Inflows of Resources</b>	14,740,985	18,200
<b>Net Position</b>		
Net investment in capital assets	13,558,617	6,857
Restricted for:		
Nonexpendable		3,815,816
Expendable	273,932	6,649,580
Unrestricted	(9,963,206)	719,524
<b>Total Net Position</b>	3,869,343	11,191,777

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

**Virginia Community College System  
Rappahannock Community College  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Rappahannock Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$2,186,812)	6,275,603	
Federal grants and contracts	1,548,005	
State and local grants	17,219	
Nongovernmental grants	102,210	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$6,880)	142,346	
Gifts and contributions		230,041
Endowment income		960,861
Other operating revenues	42,585	
<b>Total Operating Revenue</b>	<b>8,127,968</b>	<b>1,190,902</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	9,447,444	112,063
Public service	65,357	
Academic support	2,004,252	11,339
Student services	1,378,889	
Institutional support	3,377,951	142,733
Operation and maintenance	1,674,072	1,400
Scholarships and fellowships	1,338,969	575,479
Auxiliary enterprises	25,932	
Fundraising		85,274
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>19,312,866</b>	<b>928,288</b>
<b>Operating Income (Loss)</b>	<b>(11,184,898)</b>	<b>262,614</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	8,402,315	
Local appropriations	93,997	
Grants and gifts	2,802,965	
Investment income	843	84,987
Interest on capital asset related debt	(2,002)	
Other nonoperating revenue (expense)	(99,861)	
<b>Net Nonoperating Revenue</b>	<b>11,198,257</b>	<b>84,987</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>13,359</b>	<b>347,601</b>
Capital appropriations-state (Note 20)		
Capital appropriations-local	29,617	
Capital gifts, grants and contracts	59,482	
Additions to permanent and term endowments		1,186,489
<b>Increase (Decrease) in Net Position</b>	<b>102,458</b>	<b>1,534,090</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>3,766,885</b>	<b>9,657,687</b>
<b>Net Position end of year</b>	<b>3,869,343</b>	<b>11,191,777</b>

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

**Virginia Community College System  
Rappahannock Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	6,121,427
Grants and contracts	1,708,641
Payments to suppliers and others	(2,544,969)
Payments for employee wages	(11,452,764)
Payments for employee fringes and pension benefits	(2,912,463)
Payment for scholarships	(1,352,762)
Payments for utilities	(323,477)
Sales and services of education department	
Auxiliary	142,821
Loans issued to students	(1,067)
Loans collected from students	1,067
Other	22,091
Net cash used by operating activities	(10,591,455)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	8,402,315
Local appropriations	93,997
Grants and gifts	2,802,965
Agency receipts	4,163
Agency disbursements	(6,829)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	(100,042)
Net cash provided (used) by non-capital financing activities	11,196,569
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	29,617
Capital grants and gifts	55,486
Purchase capital assets	(986,009)
Proceeds from sale of capital assets	558
Proceeds from bond issue	
Debt interest payments	(2,002)
Debt principal payments	(23,900)
Net cash provided (used) by capital financing activities	(926,250)
<b>Cash flows from investing activities:</b>	
Purchases of investments	(105,184)
Sale of investments	360,000
Investment income	1,863
Net cash provided (used) by investing activities	256,679
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(64,457)</b>
Cash and cash equivalents, beginning of year	3,130,337
<b>Cash and cash equivalents, End of Year</b>	<b>3,065,880</b>

**Virginia Community College System  
Rappahannock Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(11,184,898)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,155,350
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	89,204
Prepaid expenses and other	73,458
Post employment benefits asset	(44,000)
Accrued compensation and leave	(3,254)
Accounts payable and other	(398,935)
Unearned revenue	187,743
Deposits pending distribution	(339,059)
Pension liability	(1,169,000)
Post employment benefits liability	(297,136)
Deferred inflows of resources related to pensions and post employment benefits	911,098
Deferred outflows of resources related to pensions and post employment benefits	427,974
<b>Net cash used in operating activities</b>	<u><u>(10,591,455)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	3,066,998
Less: Securities Lending Cash Equivalents	<u>1,118</u>
Cash and cash equivalents end of year	<u><u>3,065,880</u></u>

**Noncash transactions**

Donated fixed assets	3,996
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Southside Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit  Southside Virginia Community College Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	5,823,174	739,292
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	647,714	
Pledges receivable (Note 3)		130
Due from commonwealth (Note 4)		
Due from system office	17,363	
Interest receivable		
Prepaid expenses	87,552	
Inventories		
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>6,575,803</b>	<b>739,422</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	(21,946)	
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		416,850
Appropriation available		
Endowment investments (Note 2)		3,196,200
Other long-term investments (Note 2)		264,984
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)	44,355	
Notes receivable, net (Note 3)		
Post employment benefit assets	393,000	
Non-depreciable capital assets, net (Note 5)	1,344,273	67,250
Depreciable capital assets, net (Note 5)	17,358,803	1,276,910
<b>Total Noncurrent Assets</b>	<b>19,118,485</b>	<b>5,222,194</b>
<b>Total Assets</b>	<b>25,694,288</b>	<b>5,961,616</b>
<b>Deferred Outflows of Resources</b> (Note 8)	1,491,901	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>27,186,189</b>	<b>5,961,616</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	403,442	306,791
Accrued payroll expense	908,494	
Unearned revenue	301,605	
Long-term liabilities-current portion (Note 9)	441,037	
Securities lending obligation	40	
Due to Commonwealth		
Due to system's office		
Deposits	505,132	
<b>Total Current Liabilities</b>	<b>2,559,750</b>	<b>306,791</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	364,781	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	17,048,555	
<b>Total Noncurrent Liabilities</b>	<b>17,413,336</b>	
<b>Total Liabilities</b>	<b>19,973,086</b>	<b>306,791</b>

**Virginia Community College System  
 Southside Virginia Community College  
 Statement of Net Position  
 As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit  Southside Virginia Community College Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	4,345,412	
<b>Total Liabilities and Deferred Inflows of Resources</b>	24,318,498	306,791
<b>Net Position</b>		
Net investment in capital assets	18,703,076	1,344,160
Restricted for:		
Nonexpendable		1,065,982
Expendable	357,428	1,613,417
Unrestricted	(16,192,813)	1,631,266
<b>Total Net Position</b>	2,867,691	5,654,825

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

**Virginia Community College System**  
**Southside Virginia Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Southside Virginia Community College Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$3,696,407)	8,265,858	
Federal grants and contracts	2,120,359	
State and local grants	167,592	
Nongovernmental grants	55,421	465,443
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$11,627)	63,023	
Gifts and contributions		355,863
Endowment income		205,783
Other operating revenues	362,981	81,765
<b>Total Operating Revenue</b>	<b>11,035,234</b>	<b>1,108,854</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	14,848,533	36,296
Public service	493,445	
Academic support	1,675,805	22,922
Student services	2,205,847	
Institutional support	3,376,744	106,198
Operation and maintenance	2,062,725	
Scholarships and fellowships	3,087,387	573,221
Auxiliary enterprises	35,197	
Fundraising		5,249
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>27,785,683</b>	<b>743,886</b>
<b>Operating Income (Loss)</b>	<b>(16,750,449)</b>	<b>364,968</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	12,830,666	
Local appropriations	75,155	
Grants and gifts	4,677,791	
Investment income	22,396	
Interest on capital asset related debt		
Other nonoperating revenue (expense)	80,185	
<b>Net Nonoperating Revenue</b>	<b>17,686,193</b>	
<b>Income before other revenues, expenses gains (losses)</b>	<b>935,744</b>	<b>364,968</b>
Capital appropriations-state (Note 20)	527,708	
Capital appropriations-local		
Capital gifts, grants and contracts	176,556	
Additions to permanent and term endowments		47,016
<b>Increase (Decrease) in Net Position</b>	<b>1,640,008</b>	<b>411,984</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>1,227,683</b>	<b>5,242,841</b>
<b>Net Position end of year</b>	<b>2,867,691</b>	<b>5,654,825</b>

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



**Virginia Community College System**  
**Southside Virginia Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	7,884,660
Grants and contracts	2,272,271
Payments to suppliers and others	(4,736,492)
Payments for employee wages	(15,361,516)
Payments for employee fringes and pension benefits	(4,608,047)
Payment for scholarships	(3,257,898)
Payments for utilities	(388,461)
Sales and services of education department	
Auxiliary	58,520
Loans issued to students	
Loans collected from students	
Other	362,981
Net cash used by operating activities	(17,773,982)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	12,830,666
Local appropriations	75,155
Grants and gifts	4,677,791
Agency receipts	290,847
Agency disbursements	(319,805)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	183,775
Net cash provided (used) by non-capital financing activities	17,738,429
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	498,312
Capital appropriations-local	
Capital grants and gifts	146,268
Purchase capital assets	(695,042)
Proceeds from sale of capital assets	9,555
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(40,907)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	22,390
Net cash provided (used) by investing activities	22,390
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(54,070)</b>
Cash and cash equivalents, beginning of year	5,855,258
<b>Cash and cash equivalents, End of Year</b>	<b>5,801,188</b>

**Virginia Community College System  
 Southside Virginia Community College  
 Statement of Cash Flows  
 For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(16,750,449)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,060,896
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(238,928)
Prepaid expenses and other	(65,992)
Post employment benefits asset	(40,000)
Accrued compensation and leave	(178,935)
Accounts payable and other	(107,835)
Unearned revenue	(214,701)
Deposits pending distribution	
Pension liability	(3,305,000)
Post employment benefits liability	(1,089,916)
Deferred inflows of resources related to pensions and post employment benefits	2,443,412
Deferred outflows of resources related to pensions and post employment benefits	713,466
<b>Net cash used in operating activities</b>	<u><u>(17,773,982)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	5,801,228
Less: Securities Lending Cash Equivalents	40
Cash and cash equivalents end of year	<u><u>5,801,188</u></u>

**Noncash transactions**

Donated fixed assets	30,288
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System**  
**Southwest Virginia Community College**  
**Statement of Net Position**  
**As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Southwest Virginia Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	3,896,101	790,543
Appropriation available		
Short term investments (Note 2)		52,000
Accounts receivable, net (Note 3)	192,160	
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Due from system office	175,633	
Interest receivable		
Prepaid expenses		5,551
Inventories	7,423	
Notes receivable, net (Note 3)	7,199	
<b>Total Current Assets</b>	<b>4,278,516</b>	<b>848,094</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		
Other long-term investments (Note 2)	1,795,732	21,959,367
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	204,000	
Non-depreciable capital assets, net (Note 5)	619,636	339,505
Depreciable capital assets, net (Note 5)	24,681,657	3,522,924
<b>Total Noncurrent Assets</b>	<b>27,301,025</b>	<b>25,821,796</b>
<b>Total Assets</b>	<b>31,579,541</b>	<b>26,669,890</b>
<b>Deferred Outflows of Resources</b> (Note 8)	1,564,454	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>33,143,995</b>	<b>26,669,890</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	289,003	22,518
Accrued payroll expense	1,141,316	
Unearned revenue	156,450	
Long-term liabilities-current portion (Note 9)	528,692	
Securities lending obligation	501	
Due to Commonwealth		
Due to system's office		
Deposits	65,873	5,000
<b>Total Current Liabilities</b>	<b>2,181,835</b>	<b>27,518</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	451,955	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	12,181,092	
<b>Total Noncurrent Liabilities</b>	<b>12,633,047</b>	
<b>Total Liabilities</b>	<b>14,814,882</b>	<b>27,518</b>

**Virginia Community College System  
Southwest Virginia Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Southwest Virginia Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	1,559,304	
<b>Total Liabilities and Deferred Inflows of Resources</b>	16,374,186	27,518
 <b>Net Position</b>		
Net investment in capital assets	25,069,762	3,862,429
Restricted for:		
Nonexpendable		
Expendable	(90,207)	6,366,973
Unrestricted	(8,209,746)	16,412,970
<b>Total Net Position</b>	16,769,809	26,642,372

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

**Virginia Community College System**  
**Southwest Virginia Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Southwest Virginia Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$4,277,804)	3,006,674	
Federal grants and contracts	3,356,150	
State and local grants	432,197	
Nongovernmental grants	161,874	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$13,439)	71,544	
Gifts and contributions		881,117
Endowment income		
Other operating revenues	131,620	3,790
<b>Total Operating Revenue</b>	<b>7,160,059</b>	<b>884,907</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	7,329,239	
Public service	885,733	
Academic support	2,493,767	484,512
Student services	3,653,292	
Institutional support	2,211,372	19,015
Operation and maintenance	2,801,568	138,666
Scholarships and fellowships	2,632,834	446,555
Auxiliary enterprises	36,675	
Fundraising		18,032
Other expenses	500	
<b>Total Operating Expenses (Note 12)</b>	<b>22,044,980</b>	<b>1,106,780</b>
<b>Operating Income (Loss)</b>	<b>(14,884,921)</b>	<b>(221,873)</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	8,097,783	
Local appropriations	236,949	
Grants and gifts	5,503,171	
Investment income	(6,900)	1,792,925
Interest on capital asset related debt	(29,135)	
Other nonoperating revenue (expense)	955,027	
<b>Net Nonoperating Revenue</b>	<b>14,756,895</b>	<b>1,792,925</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(128,026)</b>	<b>1,571,052</b>
Capital appropriations-state (Note 20)		
Capital appropriations-local		
Capital gifts, grants and contracts	19,414	3,528
Additions to permanent and term endowments		
<b>Increase (Decrease) in Net Position</b>	<b>(108,612)</b>	<b>1,574,580</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>16,878,421</b>	<b>25,067,792</b>
<b>Net Position end of year</b>	<b>16,769,809</b>	<b>26,642,372</b>

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

**Virginia Community College System**  
**Southwest Virginia Community College**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	2,932,214
Grants and contracts	4,089,672
Payments to suppliers and others	(3,578,191)
Payments for employee wages	(10,351,891)
Payments for employee fringes and pension benefits	(3,530,266)
Payment for scholarships	(3,108,897)
Payments for utilities	(550,444)
Sales and services of education department	
Auxiliary	71,544
Loans issued to students	(85,692)
Loans collected from students	101,165
Other	107,730
Net cash used by operating activities	(13,903,056)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	8,097,783
Local appropriations	236,949
Grants and gifts	5,503,171
Agency receipts	33,983
Agency disbursements	(22,754)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	60,000
Loan repayments	(60,000)
Other non-operating revenue(expense)	746,557
Net cash provided (used) by non-capital financing activities	14,595,689
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	
Capital grants and gifts	16,281
Purchase capital assets	(37,772)
Proceeds from sale of capital assets	40,284
Proceeds from bond issue	
Debt interest payments	(29,135)
Debt principal payments	(77,869)
Net cash provided (used) by capital financing activities	(88,211)
<b>Cash flows from investing activities:</b>	
Purchases of investments	(127,592)
Sale of investments	102,614
Investment income	19,666
Net cash provided (used) by investing activities	(5,312)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>599,110</b>
Cash and cash equivalents, beginning of year	3,296,490
<b>Cash and cash equivalents, End of Year</b>	<b>3,895,600</b>

**Virginia Community College System  
Southwest Virginia Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(14,884,921)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,284,879
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	136,922
Prepaid expenses and other	(1,948)
Post employment benefits asset	(50,000)
Accrued compensation and leave	(210,357)
Accounts payable and other	(18,900)
Unearned revenue	(79,155)
Deposits pending distribution	
Pension liability	(592,000)
Post employment benefits liability	(137,580)
Deferred inflows of resources related to pensions and post employment benefits	731,304
Deferred outflows of resources related to pensions and post employment benefits	(81,300)
<b>Net cash used in operating activities</b>	<u><u>(13,903,056)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	3,896,101
Less: Securities Lending Cash Equivalents	501
Cash and cash equivalents end of year	<u><u>3,895,600</u></u>

**Noncash transactions**

Donated fixed assets	3,133
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Thomas Nelson Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Thomas Nelson Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	12,678,213	109,716
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	994,612	2,250
Pledges receivable (Note 3)		124,520
Due from commonwealth (Note 4)	12,610	
Due from system office	21,894	
Interest receivable		
Prepaid expenses	76,563	
Inventories	787	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>13,784,679</b>	<b>236,486</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		12,409
Appropriation available		
Endowment investments (Note 2)		6,242,558
Other long-term investments (Note 2)		2,944,572
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		311,500
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	1,016,000	
Non-depreciable capital assets, net (Note 5)	4,386,139	
Depreciable capital assets, net (Note 5)	52,723,988	
<b>Total Noncurrent Assets</b>	<b>58,126,127</b>	<b>9,511,039</b>
<b>Total Assets</b>	<b>71,910,806</b>	<b>9,747,525</b>
<b>Deferred Outflows of Resources</b> (Note 8)	4,994,377	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>76,905,183</b>	<b>9,747,525</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	855,161	13,872
Accrued payroll expense	2,143,538	
Unearned revenue	2,244,715	
Long-term liabilities-current portion (Note 9)	1,286,849	14,155
Securities lending obligation	4,559	
Due to Commonwealth		
Due to system's office		
Deposits		
<b>Total Current Liabilities</b>	<b>6,534,822</b>	<b>28,027</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	1,127,535	198,105
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	38,953,014	
<b>Total Noncurrent Liabilities</b>	<b>40,080,549</b>	<b>198,105</b>
<b>Total Liabilities</b>	<b>46,615,371</b>	<b>226,132</b>



**Virginia Community College System  
Thomas Nelson Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Thomas Nelson Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	4,104,114	
<b>Total Liabilities and Deferred Inflows of Resources</b>	50,719,485	226,132
<b>Net Position</b>		
Net investment in capital assets	56,112,384	
Restricted for:		
Nonexpendable		3,132,173
Expendable	500,715	4,431,104
Unrestricted	(30,427,401)	1,958,116
<b>Total Net Position</b>	26,185,698	9,521,393

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

**Virginia Community College System**  
**Thomas Nelson Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Thomas Nelson Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$8,058,296)	17,724,246	
Federal grants and contracts	2,870,054	
State and local grants		
Nongovernmental grants	25,618	61,500
Sales/services of education department	5,963	
Auxiliary enterprises (net of scholarship allowance of \$25,060)	389,377	
Gifts and contributions		412,232
Endowment income		539,214
Other operating revenues	2,262,418	398,742
<b>Total Operating Revenue</b>	<b>23,277,676</b>	<b>1,411,688</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	24,686,158	55,981
Public service	1,831,865	80,243
Academic support	3,985,638	12,978
Student services	7,073,671	
Institutional support	11,112,723	441,421
Operation and maintenance	5,895,325	
Scholarships and fellowships	7,568,367	151,511
Auxiliary enterprises	274,413	
Fundraising		83,159
Other expenses		2,627
<b>Total Operating Expenses (Note 12)</b>	<b>62,428,160</b>	<b>827,920</b>
<b>Operating Income (Loss)</b>	<b>(39,150,484)</b>	<b>583,768</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	23,731,235	
Local appropriations	210,000	
Grants and gifts	11,646,477	
Investment income	119,811	254,437
Interest on capital asset related debt	(75,200)	
Other nonoperating revenue (expense)	(144,230)	
<b>Net Nonoperating Revenue</b>	<b>35,488,093</b>	<b>254,437</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(3,662,391)</b>	<b>838,205</b>
Capital appropriations-state (Note 20)		
Capital appropriations-local	580,302	
Capital gifts, grants and contracts	563,035	
Additions to permanent and term endowments		12,561
<b>Increase (Decrease) in Net Position</b>	<b>(2,519,054)</b>	<b>850,766</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>28,704,752</b>	<b>8,670,627</b>
<b>Net Position end of year</b>	<b>26,185,698</b>	<b>9,521,393</b>

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

**Virginia Community College System  
Thomas Nelson Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	17,952,554
Grants and contracts	2,761,366
Payments to suppliers and others	(10,705,268)
Payments for employee wages	(29,263,829)
Payments for employee fringes and pension benefits	(10,500,355)
Payment for scholarships	(7,605,232)
Payments for utilities	(772,754)
Sales and services of education department	5,963
Auxiliary	385,993
Loans issued to students	
Loans collected from students	
Other	2,167,099
Net cash used by operating activities	(35,574,463)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	23,731,235
Local appropriations	210,000
Grants and gifts	11,633,867
Agency receipts	19,314
Agency disbursements	(8,392)
PLUS, Stafford and Direct Lending loan receipts	8,624,381
PLUS, Stafford and Direct Lending loan disbursements	(8,864,353)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	(97,490)
Net cash provided (used) by non-capital financing activities	35,248,562
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	580,302
Capital grants and gifts	546,688
Purchase capital assets	(982,184)
Proceeds from sale of capital assets	18,513
Proceeds from bond issue	
Debt interest payments	(75,200)
Debt principal payments	(293,994)
Net cash provided (used) by capital financing activities	(205,875)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	119,766
Net cash provided (used) by investing activities	119,766
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(412,010)</b>
Cash and cash equivalents, beginning of year	13,085,664
<b>Cash and cash equivalents, End of Year</b>	<b>12,673,654</b>

**Virginia Community College System  
Thomas Nelson Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(39,150,484)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	2,868,307
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	273,475
Prepaid expenses and other	100,581
Post employment benefits asset	(184,000)
Accrued compensation and leave	(890,881)
Accounts payable and other	317,538
Unearned revenue	417,325
Deposits pending distribution	(107,105)
Pension liability	(3,763,000)
Post employment benefits liability	(553,137)
Deferred inflows of resources related to pensions and post employment benefits	3,194,114
Deferred outflows of resources related to pensions and post employment benefits	1,902,804
<b>Net cash used in operating activities</b>	<u><u>(35,574,463)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	12,678,213
Less: Securities Lending Cash Equivalents	4,559
Cash and cash equivalents end of year	<u><u>12,673,654</u></u>

**Noncash transactions**

Donated fixed assets	16,347
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Tidewater Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Units</b>	
		<b>Tidewater Community College Educational Foundation</b>	<b>Tidewater Community College Real Estate Foundation</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 2)	34,477,987	198,888	336,703
Appropriation available			
Short term investments (Note 2)			
Accounts receivable, net (Note 3)	1,556,211		52,237
Pledges receivable (Note 3)		163,131	
Due from commonwealth (Note 4)	557,614		
Due from system office	103,845		
Interest receivable	296,163		
Prepaid expenses	1,539,928		
Inventories	208,280		
Notes receivable, net (Note 3)			
<b>Total Current Assets</b>	<u>38,740,028</u>	<u>362,019</u>	<u>388,940</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents (Note 2)	367,578		
Cash equivalents with trustees (Note 2)	5,766,813		
Endowment cash and cash equivalents (Note 2)		106,544	
Appropriation available			
Endowment investments (Note 2)		2,789,145	
Other long-term investments (Note 2)	31,028,963	5,486,206	7,932,389
Accounts receivable, net (Note 3)			
Investments in real estate (Note 2)			
Pledges receivable (Note 3)		177,692	
Due from commonwealth (Note 4)			
Notes receivable, net (Note 3)			
Post employment benefit assets	2,356,000		
Non-depreciable capital assets, net (Note 5)	15,002,246		944,095
Depreciable capital assets, net (Note 5)	302,513,951		2,270,841
<b>Total Noncurrent Assets</b>	<u>357,035,551</u>	<u>8,559,587</u>	<u>11,147,325</u>
<b>Total Assets</b>	<u>395,775,579</u>	<u>8,921,606</u>	<u>11,536,265</u>
<b>Deferred Outflows of Resources</b> (Note 8)	12,046,096		
<b>Total Assets and Deferred Outflows of Resources</b>	<u>407,821,675</u>	<u>8,921,606</u>	<u>11,536,265</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts and retainage payable (Note 6)	4,524,138	73,118	37,874
Accrued payroll expense	7,783,908		
Unearned revenue	8,219,142		
Long-term liabilities-current portion (Note 9)	7,494,620	2,995	
Securities lending obligation	1,973		
Due to Commonwealth			
Due to system's office			
Deposits	884,080		
<b>Total Current Liabilities</b>	<u>28,907,861</u>	<u>76,113</u>	<u>37,874</u>
<b>Noncurrent Liabilities</b>			
Unearned revenue			
Long-term liabilities (Note 9)	74,185,969	5,431	
Due to federal government (Note 9)			
Pension and post employment benefit obligations (Note 9)	96,742,010		
<b>Total Noncurrent Liabilities</b>	<u>170,927,979</u>	<u>5,431</u>	
<b>Total Liabilities</b>	<u>199,835,840</u>	<u>81,544</u>	<u>37,874</u>

**Virginia Community College System  
Tidewater Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Units</b>	
		<b>Tidewater Community College Educational Foundation</b>	<b>Tidewater Community College Real Estate Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	11,608,791		
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>211,444,631</u>	<u>81,544</u>	<u>37,874</u>
<b>Net Position</b>			
Net investment in capital assets	247,817,160		3,214,936
Restricted for:			
Nonexpendable		2,892,782	
Expendable	(438,906)	4,070,450	
Unrestricted	<u>(51,001,210)</u>	<u>1,876,830</u>	<u>8,283,455</u>
<b>Total Net Position</b>	<u>196,377,044</u>	<u>8,840,062</u>	<u>11,498,391</u>

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

**Virginia Community College System**  
**Tidewater Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Component Units</b>		
	<b>Community College</b>	<b>Tidewater Community College Educational Foundation</b>	<b>Tidewater Community College Real Estate Foundation</b>
<b>Revenues</b>			
<b>Operating Revenue</b>			
Tuition and fees (net of scholarship allowance of \$29,344,284)	41,752,122		
Federal grants and contracts	5,638,397		
State and local grants	109,554		
Nongovernmental grants	352,143		
Sales/services of education department	32,972		
Auxiliary enterprises (net of scholarship allowance of \$92,134)	11,837,698		
Gifts and contributions		907,160	
Endowment income			
Other operating revenues	2,194,339	4,199	139,077
<b>Total Operating Revenue</b>	<u>61,917,225</u>	<u>911,359</u>	<u>139,077</u>
<b>Expenses</b>			
<b>Operating Expenses</b>			
Instruction	64,465,035	297,116	
Public service	2,887,767		
Academic support	12,648,348	188,048	
Student services	14,969,591	329,643	
Institutional support	24,642,888	514,431	223,175
Operation and maintenance	17,135,740	17,684	47,467
Scholarships and fellowships	17,971,002	199,873	
Auxiliary enterprises	5,206,570		
Fundraising		36,355	
Other expenses		2,995	
<b>Total Operating Expenses (Note 12)</b>	<u>159,926,941</u>	<u>1,586,145</u>	<u>270,642</u>
<b>Operating Income (Loss)</b>	<u>(98,009,716)</u>	<u>(674,786)</u>	<u>(131,565)</u>
<b>Nonoperating Revenues(Expenses)</b>			
State appropriations (Note 13)	56,832,015		
Local appropriations	84,500		
Grants and gifts	38,337,457		
Investment income	892,835	1,237,732	851,405
Interest on capital asset related debt	(2,623,389)		
Other nonoperating revenue (expense)	(108,863)		
<b>Net Nonoperating Revenue</b>	<u>93,414,555</u>	<u>1,237,732</u>	<u>851,405</u>
<b>Income before other revenues, expenses gains (losses)</b>	(4,595,161)	562,946	719,840
Capital appropriations-state (Note 20)	746,393		
Capital appropriations-local			
Capital gifts, grants and contracts	620,895		
Additions to permanent and term endowments		4,360	
<b>Increase (Decrease) in Net Position</b>	<u>(3,227,873)</u>	<u>567,306</u>	<u>719,840</u>
<b>Net Position</b>			
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<u>199,604,917</u>	<u>8,272,756</u>	<u>10,778,551</u>
<b>Net Position end of year</b>	<u>196,377,044</u>	<u>8,840,062</u>	<u>11,498,391</u>

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

**Virginia Community College System  
Tidewater Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	43,152,992
Grants and contracts	5,856,871
Payments to suppliers and others	(24,890,699)
Payments for employee wages	(76,255,599)
Payments for employee fringes and pension benefits	(26,098,361)
Payment for scholarships	(18,034,891)
Payments for utilities	(3,129,145)
Sales and services of education department	32,972
Auxiliary	11,894,949
Loans issued to students	
Loans collected from students	
Other	2,165,867
Net cash used by operating activities	(85,305,044)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	56,832,015
Local appropriations	84,500
Grants and gifts	37,779,843
Agency receipts	872,727
Agency disbursements	(1,006,877)
PLUS, Stafford and Direct Lending loan receipts	28,248,426
PLUS, Stafford and Direct Lending loan disbursements	(28,243,217)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	(165,083)
Net cash provided (used) by non-capital financing activities	94,402,334
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	769,275
Capital appropriations-local	
Capital grants and gifts	470,975
Purchase capital assets	(804,107)
Proceeds from sale of capital assets	5,045
Proceeds from bond issue	
Debt interest payments	(3,571,734)
Debt principal payments	(4,730,000)
Net cash provided (used) by capital financing activities	(7,860,546)
<b>Cash flows from investing activities:</b>	
Purchases of investments	(26,015,000)
Sale of investments	27,835,000
Investment income	693,691
Net cash provided (used) by investing activities	2,513,691
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,750,435</b>
Cash and cash equivalents, beginning of year	36,859,970
<b>Cash and cash equivalents, End of Year</b>	<b>40,610,405</b>



**Virginia Community College System  
Tidewater Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(98,009,716)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	11,798,862
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	766,981
Prepaid expenses and other	57,589
Post employment benefits asset	(380,000)
Accrued compensation and leave	(610,853)
Accounts payable and other	255,268
Unearned revenue	804,399
Deposits pending distribution	464,449
Pension liability	(11,475,000)
Post employment benefits liability	(2,556,421)
Deferred inflows of resources related to pensions and post employment benefits	9,364,791
Deferred outflows of resources related to pensions and post employment benefits	4,214,607
<b>Net cash used in operating activities</b>	<u><u>(85,305,044)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	40,612,378
Less: Securities Lending Cash Equivalents	1,973
Cash and cash equivalents end of year	<u><u>40,610,405</u></u>
<b>Noncash transactions</b>	
Donated fixed assets	149,920
Debt principal and interest payments made by Treasury	739,723
Amortization of bond premium	858,656
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	(239,640)

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

**Virginia Community College System  
Virginia Highlands Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Virginia Highlands Community College Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	1,743,556	488,019
Appropriation available		
Short term investments (Note 2)	527,867	
Accounts receivable, net (Note 3)	916,704	
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Due from system office	1,682	
Interest receivable		
Prepaid expenses	153,367	
Inventories		
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>3,343,176</b>	<b>488,019</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available		
Endowment investments (Note 2)		3,994,778
Other long-term investments (Note 2)		
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	259,000	
Non-depreciable capital assets, net (Note 5)	446,972	513,250
Depreciable capital assets, net (Note 5)	6,928,064	39,575
<b>Total Noncurrent Assets</b>	<b>7,634,036</b>	<b>4,547,603</b>
<b>Total Assets</b>	<b>10,977,212</b>	<b>5,035,622</b>
<b>Deferred Outflows of Resources</b> (Note 8)	1,244,259	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>12,221,471</b>	<b>5,035,622</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	217,456	335,000
Accrued payroll expense	1,058,835	
Unearned revenue	180,434	
Long-term liabilities-current portion (Note 9)	588,757	
Securities lending obligation		
Due to Commonwealth		
Due to system's office		
Deposits	51,755	
<b>Total Current Liabilities</b>	<b>2,097,237</b>	<b>335,000</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	193,845	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	11,038,678	
<b>Total Noncurrent Liabilities</b>	<b>11,232,523</b>	
<b>Total Liabilities</b>	<b>13,329,760</b>	<b>335,000</b>

**Virginia Community College System  
Virginia Highlands Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Virginia Highlands Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	1,386,215	
<b>Total Liabilities and Deferred Inflows of Resources</b>	14,715,975	335,000
 <b>Net Position</b>		
Net investment in capital assets	7,375,036	552,825
Restricted for:		
Nonexpendable		3,210,983
Expendable	175,660	860,481
Unrestricted	(10,045,200)	76,333
<b>Total Net Position</b>	(2,494,504)	4,700,622

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

**Virginia Community College System**  
**Virginia Highlands Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Virginia Highlands Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$3,432,619)	3,239,726	
Federal grants and contracts	1,483,785	
State and local grants	2,500	450,000
Nongovernmental grants	410,362	
Sales/services of education department	19,404	
Auxiliary enterprises (net of scholarship allowance of \$10,801)	56,051	
Gifts and contributions		367,423
Endowment income		152,898
Other operating revenues	81,842	209,124
<b>Total Operating Revenue</b>	<b>5,293,670</b>	<b>1,179,445</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	7,371,719	75,674
Public service	693,184	
Academic support	1,503,167	111,375
Student services	2,133,827	
Institutional support	1,840,803	134,581
Operation and maintenance	1,177,039	347
Scholarships and fellowships	1,746,076	948,175
Auxiliary enterprises	33,633	
Fundraising		138,749
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>16,499,448</b>	<b>1,408,901</b>
<b>Operating Income (Loss)</b>	<b>(11,205,778)</b>	<b>(229,456)</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	7,062,118	
Local appropriations	340,273	
Grants and gifts	3,968,904	
Investment income	3,552	602
Interest on capital asset related debt		
Other nonoperating revenue (expense)	(119,912)	
<b>Net Nonoperating Revenue</b>	<b>11,254,935</b>	<b>602</b>
<b>Income before other revenues, expenses gains (losses)</b>	49,157	(228,854)
Capital appropriations-state (Note 20)		
Capital appropriations-local		
Capital gifts, grants and contracts	249,401	78,219
Additions to permanent and term endowments		3,112,500
<b>Increase (Decrease) in Net Position</b>	<b>298,558</b>	<b>2,961,865</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>(2,793,062)</b>	<b>1,738,757</b>
<b>Net Position end of year</b>	<b>(2,494,504)</b>	<b>4,700,622</b>

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

**Virginia Community College System  
Virginia Highlands Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	3,144,500
Grants and contracts	2,039,648
Payments to suppliers and others	(3,473,619)
Payments for employee wages	(7,894,050)
Payments for employee fringes and pension benefits	(3,011,923)
Payment for scholarships	(1,767,695)
Payments for utilities	(161,204)
Sales and services of education department	19,404
Auxiliary	56,051
Loans issued to students	
Loans collected from students	
Other	41,633
Net cash used by operating activities	(11,007,255)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	7,062,118
Local appropriations	340,273
Grants and gifts	3,773,069
Agency receipts	899,424
Agency disbursements	(897,309)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	350,000
Loan repayments	(350,000)
Other non-operating revenue(expense)	(120,594)
Net cash provided (used) by non-capital financing activities	11,056,981
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	
Capital grants and gifts	246,591
Purchase capital assets	(273,870)
Proceeds from sale of capital assets	
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(27,279)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	(1)
Net cash provided (used) by investing activities	(1)
<b>Net increase (decrease) in cash and cash equivalents</b>	22,446
Cash and cash equivalents, beginning of year	1,721,110
<b>Cash and cash equivalents, End of Year</b>	<b>1,743,556</b>

**Virginia Community College System  
Virginia Highlands Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(11,205,778)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	531,079
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	49,515
Prepaid expenses and other	19,200
Post employment benefits asset	(60,000)
Accrued compensation and leave	72,248
Accounts payable and other	112,419
Unearned revenue	(55,824)
Deposits pending distribution	
Pension liability	(654,000)
Post employment benefits liability	(158,483)
Deferred inflows of resources related to pensions and post employment benefits	364,215
Deferred outflows of resources related to pensions and post employment benefits	(21,846)
<b>Net cash used in operating activities</b>	<u><u>(11,007,255)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	1,743,556
Less: Securities Lending Cash Equivalents	
Cash and cash equivalents end of year	<u><u>1,743,556</u></u>

**Noncash transactions**

Donated fixed assets	2,810
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Virginia Western Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Unit Virginia Western Community College Educational Foundation</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	11,075,294	178,306
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	398,135	117,915
Pledges receivable (Note 3)		460,507
Due from commonwealth (Note 4)		
Due from system office	7,426	
Interest receivable		39,292
Prepaid expenses	527,880	12,613
Inventories		
Notes receivable, net (Note 3)		90,703
<b>Total Current Assets</b>	<u>12,008,735</u>	<u>899,336</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	(1,645,851)	
Cash equivalents with trustees (Note 2)	26,852	
Endowment cash and cash equivalents (Note 2)		577,615
Appropriation available		
Endowment investments (Note 2)		13,114,374
Other long-term investments (Note 2)		4,065,768
Accounts receivable, net (Note 3)		340,652
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		335,012
Due from commonwealth (Note 4)	3,822,417	
Notes receivable, net (Note 3)		95,238
Post employment benefit assets	595,000	
Non-depreciable capital assets, net (Note 5)	14,527,243	
Depreciable capital assets, net (Note 5)	47,254,154	25,933
<b>Total Noncurrent Assets</b>	<u>64,579,815</u>	<u>18,554,592</u>
<b>Total Assets</b>	<u>76,588,550</u>	<u>19,453,928</u>
<b>Deferred Outflows of Resources</b> (Note 8)	2,334,032	
<b>Total Assets and Deferred Outflows of Resources</b>	<u>78,922,582</u>	<u>19,453,928</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	5,094,592	190,236
Accrued payroll expense	1,918,665	
Unearned revenue	1,656,159	
Long-term liabilities-current portion (Note 9)	1,100,705	
Securities lending obligation	986	
Due to Commonwealth		
Due to system's office		
Deposits	139,366	
<b>Total Current Liabilities</b>	<u>9,910,473</u>	<u>190,236</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	5,457,260	
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	23,970,718	
<b>Total Noncurrent Liabilities</b>	<u>29,427,978</u>	
<b>Total Liabilities</b>	<u>39,338,451</u>	<u>190,236</u>

**Virginia Community College System  
Virginia Western Community College  
Statement of Net Position  
As of June 30, 2018**

	<b>Community College</b>	<b>Component Unit Virginia Western Community College Educational Foundation</b>
<b>Deferred Inflows of Resources</b> (Note 17)	4,138,347	
<b>Total Liabilities and Deferred Inflows of Resources</b>	43,476,798	190,236
 <b>Net Position</b>		
Net investment in capital assets	56,413,446	25,933
Restricted for:		
Nonexpendable		5,260,000
Expendable	(617,681)	12,823,859
Unrestricted	(20,349,981)	1,153,900
<b>Total Net Position</b>	35,445,784	19,263,692

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



**Virginia Community College System**  
**Virginia Western Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Community College</b>	<b>Component Unit Virginia Western Community College Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of \$7,692,080)	13,667,331	
Federal grants and contracts	1,129,700	
State and local grants		
Nongovernmental grants	13,406	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$24,194)	1,600,787	
Gifts and contributions		3,286,332
Endowment income		1,826,493
Other operating revenues	727,556	436,097
<b>Total Operating Revenue</b>	<b>17,138,780</b>	<b>5,548,922</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	19,918,646	
Public service	314,723	
Academic support	5,019,976	
Student services	4,045,184	
Institutional support	4,801,466	965,441
Operation and maintenance	4,364,209	
Scholarships and fellowships	3,251,364	1,504,188
Auxiliary enterprises	61,402	
Fundraising		131,153
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>41,776,970</b>	<b>2,600,782</b>
<b>Operating Income (Loss)</b>	<b>(24,638,190)</b>	<b>2,948,140</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	17,700,962	
Local appropriations		
Grants and gifts	8,355,624	
Investment income	62,605	596,486
Interest on capital asset related debt	(189,197)	
Other nonoperating revenue (expense)	101,382	
<b>Net Nonoperating Revenue</b>	<b>26,031,376</b>	<b>596,486</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>1,393,186</b>	<b>3,544,626</b>
Capital appropriations-state (Note 20)	8,860,391	
Capital appropriations-local		
Capital gifts, grants and contracts	176,183	
Additions to permanent and term endowments		538,025
<b>Increase (Decrease) in Net Position</b>	<b>10,429,760</b>	<b>4,082,651</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>25,016,024</b>	<b>15,181,041</b>
<b>Net Position end of year</b>	<b>35,445,784</b>	<b>19,263,692</b>

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

**Virginia Community College System  
Virginia Western Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	13,367,834
Grants and contracts	1,143,106
Payments to suppliers and others	(9,233,901)
Payments for employee wages	(18,908,483)
Payments for employee fringes and pension benefits	(6,969,954)
Payment for scholarships	(3,226,652)
Payments for utilities	(919,743)
Sales and services of education department	
Auxiliary	1,600,787
Loans issued to students	
Loans collected from students	
Other	727,556
Net cash used by operating activities	(22,419,450)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	17,700,962
Local appropriations	
Grants and gifts	8,355,624
Agency receipts	1,636,129
Agency disbursements	(1,628,966)
PLUS, Stafford and Direct Lending loan receipts	5,247,675
PLUS, Stafford and Direct Lending loan disbursements	(5,247,675)
Borrowings	165,000
Loan repayments	(165,000)
Other non-operating revenue(expense)	92,301
Net cash provided (used) by non-capital financing activities	26,156,050
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	5,159,314
Capital appropriations-local	
Capital grants and gifts	161,847
Purchase capital assets	(7,725,040)
Proceeds from sale of capital assets	9,775
Proceeds from bond issue	
Debt interest payments	(244,776)
Debt principal payments	(255,000)
Net cash provided (used) by capital financing activities	(2,893,880)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	62,554
Net cash provided (used) by investing activities	62,554
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>905,274</b>
Cash and cash equivalents, beginning of year	8,550,035
<b>Cash and cash equivalents, End of Year</b>	<b>9,455,309</b>

**Virginia Community College System  
Virginia Western Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(24,638,190)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	2,268,929
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(48,006)
Prepaid expenses and other	(134,029)
Post employment benefits asset	(83,000)
Accrued compensation and leave	31,553
Accounts payable and other	994,477
Unearned revenue	(259,529)
Deposits pending distribution	
Pension liability	(3,460,000)
Post employment benefits liability	(947,642)
Deferred inflows of resources related to pensions and post employment benefits	2,789,347
Deferred outflows of resources related to pensions and post employment benefits	1,066,640
<b>Net cash used in operating activities</b>	<u><u>(22,419,450)</u></u>

Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	9,456,295
Less: Securities Lending Cash Equivalents	986
Cash and cash equivalents end of year	<u><u>9,455,309</u></u>

**Noncash transactions**

Donated fixed assets	14,336
Debt principal and interest payments made by Treasury	
Amortization of bond premium	25,667
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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

**Virginia Community College System  
Wytheville Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Units</u>	
		<u>Wytheville Community College Educational Foundation</u>	<u>Wytheville Community College Scholarship Foundation</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 2)	5,899,621	698,042	54,967
Appropriation available			
Short term investments (Note 2)	607,296	576,716	16,095
Accounts receivable, net (Note 3)	124,206	15,000	
Pledges receivable (Note 3)		6,755	3,000
Due from commonwealth (Note 4)	316,384		
Due from system office	13,258		
Interest receivable			
Prepaid expenses	459,573		
Inventories	59,302		
Notes receivable, net (Note 3)		2,190	
<b>Total Current Assets</b>	<u>7,479,640</u>	<u>1,298,703</u>	<u>74,062</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents (Note 2)	(30,654)		
Cash equivalents with trustees (Note 2)			
Endowment cash and cash equivalents (Note 2)			
Appropriation available			
Endowment investments (Note 2)		5,668,152	463,730
Other long-term investments (Note 2)		2,824,549	193,092
Accounts receivable, net (Note 3)			
Investments in real estate (Note 2)			
Pledges receivable (Note 3)		25,715	6,000
Due from commonwealth (Note 4)	30,754		
Notes receivable, net (Note 3)			
Post employment benefit assets	242,000		
Non-depreciable capital assets, net (Note 5)	833,309	43,393	
Depreciable capital assets, net (Note 5)	14,858,041		
<b>Total Noncurrent Assets</b>	<u>15,933,450</u>	<u>8,561,809</u>	<u>662,822</u>
<b>Total Assets</b>	<u>23,413,090</u>	<u>9,860,512</u>	<u>736,884</u>
<b>Deferred Outflows of Resources</b> (Note 8)	1,050,171		
<b>Total Assets and Deferred Outflows of Resources</b>	<u>24,463,261</u>	<u>9,860,512</u>	<u>736,884</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts and retainage payable (Note 6)	648,757	12,755	15,000
Accrued payroll expense	951,809		
Unearned revenue	416,806		
Long-term liabilities-current portion (Note 9)	299,413		
Securities lending obligation	191		
Due to Commonwealth			
Due to system's office			
Deposits	195,934		
<b>Total Current Liabilities</b>	<u>2,512,910</u>	<u>12,755</u>	<u>15,000</u>
<b>Noncurrent Liabilities</b>			
Unearned revenue			
Long-term liabilities (Note 9)	175,744		
Due to federal government (Note 9)			
Pension and post employment benefit obligations (Note 9)	10,591,829		
<b>Total Noncurrent Liabilities</b>	<u>10,767,573</u>		
<b>Total Liabilities</b>	<u>13,280,483</u>	<u>12,755</u>	<u>15,000</u>

**Virginia Community College System  
Wytheville Community College  
Statement of Net Position  
As of June 30, 2018**

	<u>Community College</u>	<u>Component Units</u>	
		<u>Wytheville Community College Educational Foundation</u>	<u>Wytheville Community College Scholarship Foundation</u>
<b>Deferred Inflows of Resources</b> (Note 17)	1,727,912		
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>15,008,395</u>	<u>12,755</u>	<u>15,000</u>
<b>Net Position</b>			
Net investment in capital assets	15,691,350	43,393	
Restricted for:			
Nonexpendable		5,693,867	472,730
Expendable	535,974	3,969,589	248,970
Unrestricted	<u>(6,772,458)</u>	<u>140,908</u>	<u>184</u>
<b>Total Net Position</b>	<u>9,454,866</u>	<u>9,847,757</u>	<u>721,884</u>

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

**Virginia Community College System**  
**Wytheville Community College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Component Units</b>		
	<b>Community College</b>	<b>Wytheville Community College Educational Foundation</b>	<b>Wytheville Community College Scholarship Foundation</b>
<b>Revenues</b>			
<b>Operating Revenue</b>			
Tuition and fees (net of scholarship allowance of \$3,239,254)	4,619,262		
Federal grants and contracts	2,014,130		
State and local grants	271,643	349,016	
Nongovernmental grants	141,303	420,558	
Sales/services of education department	12,220		
Auxiliary enterprises (net of scholarship allowance of \$10,192)	131,713		
Gifts and contributions		5,937	
Endowment income		1,004,986	81,067
Other operating revenues	125,966	415,907	
<b>Total Operating Revenue</b>	<u>7,316,237</u>	<u>2,196,404</u>	<u>81,067</u>
<b>Expenses</b>			
<b>Operating Expenses</b>			
Instruction	8,979,120	778	
Public service	320,208	571	
Academic support	1,988,453	99,384	
Student services	1,497,011		
Institutional support	3,788,661	320,789	
Operation and maintenance	1,444,730		
Scholarships and fellowships	1,900,796	935,755	30,000
Auxiliary enterprises	23,241		
Fundraising		168,005	
Other expenses			
<b>Total Operating Expenses (Note 12)</b>	<u>19,942,220</u>	<u>1,525,282</u>	<u>30,000</u>
<b>Operating Income (Loss)</b>	<u>(12,625,983)</u>	<u>671,122</u>	<u>51,067</u>
<b>Nonoperating Revenues(Expenses)</b>			
State appropriations (Note 13)	8,411,178		
Local appropriations	141,402		
Grants and gifts	3,914,109		
Investment income	32,891	18,354	9,817
Interest on capital asset related debt			
Other nonoperating revenue (expense)	(3,647)		
<b>Net Nonoperating Revenue</b>	<u>12,495,933</u>	<u>18,354</u>	<u>9,817</u>
<b>Income before other revenues, expenses gains (losses)</b>	(130,050)	689,476	60,884
Capital appropriations-state (Note 20)	631,208		
Capital appropriations-local			
Capital gifts, grants and contracts	471,768		
Additions to permanent and term endowments		360,475	11,500
<b>Increase (Decrease) in Net Position</b>	<u>972,926</u>	<u>1,049,951</u>	<u>72,384</u>
<b>Net Position</b>			
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<u>8,481,940</u>	<u>8,797,806</u>	<u>649,500</u>
<b>Net Position end of year</b>	<u>9,454,866</u>	<u>9,847,757</u>	<u>721,884</u>

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

**Virginia Community College System  
Wytheville Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Community College</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	4,644,378
Grants and contracts	2,456,004
Payments to suppliers and others	(3,939,500)
Payments for employee wages	(10,471,451)
Payments for employee fringes and pension benefits	(3,161,527)
Payment for scholarships	(1,924,771)
Payments for utilities	(218,357)
Sales and services of education department	12,220
Auxiliary	131,937
Loans issued to students	
Loans collected from students	
Other	115,626
Net cash used by operating activities	(12,355,441)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	8,411,178
Local appropriations	141,402
Grants and gifts	3,597,725
Agency receipts	178,266
Agency disbursements	(133,291)
PLUS, Stafford and Direct Lending loan receipts	771,161
PLUS, Stafford and Direct Lending loan disbursements	(770,585)
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	105,063
Net cash provided (used) by non-capital financing activities	12,300,919
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	894,959
Capital appropriations-local	
Capital grants and gifts	469,766
Purchase capital assets	(1,620,790)
Proceeds from sale of capital assets	6,789
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(249,276)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	31,197
Net cash provided (used) by investing activities	31,197
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(272,601)</b>
Cash and cash equivalents, beginning of year	6,141,377
<b>Cash and cash equivalents, End of Year</b>	<b>5,868,776</b>

**Virginia Community College System  
Wytheville Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(12,625,983)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,065,025
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	440,168
Prepaid expenses and other	2,815
Post employment benefits asset	(47,000)
Accrued compensation and leave	(29,191)
Accounts payable and other	(639,159)
Unearned revenue	(19,684)
Deposits pending distribution	
Pension liability	(916,000)
Post employment benefits liability	(255,826)
Deferred inflows of resources related to pensions and post employment benefits	466,912
Deferred outflows of resources related to pensions and post employment benefits	202,482
<b>Net cash used in operating activities</b>	<u><u>(12,355,441)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	5,868,967
Less: Securities Lending Cash Equivalents	<u>191</u>
Cash and cash equivalents end of year	<u><u>5,868,776</u></u>

**Noncash transactions**

Donated fixed assets	2,002
Debt principal and interest payments made by Treasury	
Amortization of bond premium	
Capitalized bond interest costs	
Amortization of deferral on debt defeasance	

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



**Virginia Community College System  
System Office  
Statement of Net Position  
As of June 30, 2018**

	<b>System Office</b>	<b>Component Unit Community Colleges of VA Educational Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	6,572,577	1,671,329
Appropriation available		
Short term investments (Note 2)		
Accounts receivable, net (Note 3)	108,162	
Pledges receivable (Note 3)		1,963,969
Due from commonwealth (Note 4)	2,703,998	
Due from colleges		
Interest receivable		
Prepaid expenses	7,850,791	
Inventories	15,000	
Notes receivable, net (Note 3)		
<b>Total Current Assets</b>	<b>17,250,528</b>	<b>3,635,298</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)		
Cash equivalents with trustees (Note 2)		
Endowment cash and cash equivalents (Note 2)		
Appropriation available	723,043	
Endowment investments (Note 2)		9,250,079
Other long-term investments (Note 2)		
Accounts receivable, net (Note 3)		
Investments in real estate (Note 2)		
Pledges receivable (Note 3)		2,048,359
Due from commonwealth (Note 4)		
Notes receivable, net (Note 3)		
Post employment benefit assets	843,000	
Non-depreciable capital assets, net (Note 5)		
Depreciable capital assets, net (Note 5)	7,082,437	
<b>Total Noncurrent Assets</b>	<b>8,648,480</b>	<b>11,298,438</b>
<b>Total Assets</b>	<b>25,899,008</b>	<b>14,933,736</b>
<b>Deferred Outflows of Resources</b> (Note 8)	5,683,732	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>31,582,740</b>	<b>14,933,736</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts and retainage payable (Note 6)	5,832,761	627,405
Accrued payroll expense	1,610,681	
Unearned revenue		
Long-term liabilities-current portion (Note 9)	3,029,453	6,720
Securities lending obligation		
Due to Commonwealth		
Due to colleges	2,375,486	
Deposits	574,410	
<b>Total Current Liabilities</b>	<b>13,422,791</b>	<b>634,125</b>
<b>Noncurrent Liabilities</b>		
Unearned revenue		
Long-term liabilities (Note 9)	582,807	28,846
Due to federal government (Note 9)		
Pension and post employment benefit obligations (Note 9)	31,135,279	
<b>Total Noncurrent Liabilities</b>	<b>31,718,086</b>	<b>28,846</b>
<b>Total Liabilities</b>	<b>45,140,877</b>	<b>662,971</b>

**Virginia Community College System  
System Office  
Statement of Net Position  
As of June 30, 2018**

	<u>System Office</u>	<u>Component Unit Community Colleges of VA Educational Foundation</u>
<b>Deferred Inflows of Resources</b> (Note 17)	3,316,356	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>48,457,233</u>	<u>662,971</u>
<b>Net Position</b>		
Net investment in capital assets	7,082,437	
Restricted for:		
Nonexpendable		2,974,016
Expendable	434,867	7,648,589
Unrestricted	<u>(24,391,797)</u>	<u>3,648,160</u>
<b>Total Net Position</b>	<u>(16,874,493)</u>	<u>14,270,765</u>

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

**Virginia Community College System  
System Office**

**Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2018**

	<b>System's Office</b>	<b>Component Unit  Community Colleges of VA Educational Foundation</b>
<b>Revenues</b>		
<b>Operating Revenue</b>		
Tuition and fees (net of scholarship allowance of )		
Federal grants and contracts	46,377,143	
State and local grants	46,748	
Nongovernmental grants	688,153	
Sales/services of education department		
Auxiliary enterprises (net of scholarship allowance of \$)		
Gifts and contributions		4,543,312
Endowment income		930,902
Other operating revenues	31,966	393,678
<b>Total Operating Revenue</b>	<b>47,144,010</b>	<b>5,867,892</b>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	763,278	
Public service	45,223,664	100,100
Academic support	9,860,091	2,442,250
Student services	370,224	
Institutional support	26,485,875	743,822
Operation and maintenance	1,071,314	
Scholarships and fellowships		
Auxiliary enterprises		
Fundraising		774,828
Other expenses		
<b>Total Operating Expenses (Note 12)</b>	<b>83,774,446</b>	<b>4,061,000</b>
<b>Operating Income (Loss)</b>	<b>(36,630,436)</b>	<b>1,806,892</b>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations (Note 13)	30,973,583	
Local appropriations		
Grants and gifts		
Investment income		3,552
Interest on capital asset related debt		
Other nonoperating revenue (expense)	(9,114,417)	
<b>Net Nonoperating Revenue</b>	<b>21,859,166</b>	<b>3,552</b>
<b>Income before other revenues, expenses gains (losses)</b>	<b>(14,771,270)</b>	<b>1,810,444</b>
Capital appropriations-state (Note 20)	8,263,269	
Capital appropriations-local		
Capital gifts, grants and contracts	(339,128)	
Additions to permanent and term endowments		537,598
<b>Increase (Decrease) in Net Position</b>	<b>(6,847,129)</b>	<b>2,348,042</b>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated (Note 1-R)</b>	<b>(10,027,364)</b>	<b>11,922,723</b>
<b>Net Position end of year</b>	<b>(16,874,493)</b>	<b>14,270,765</b>

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

**Virginia Community College System  
System Office  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>System Office</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	
Grants and contracts	47,003,882
Payments to suppliers and others	(57,566,994)
Payments for employee wages	(18,747,501)
Payments for employee fringes and pension benefits	(7,322,290)
Payment for scholarships	
Payments for utilities	(8,148)
Sales and services of education department Auxiliary	
Loans issued to students	
Loans collected from students	
Other	31,966
Net cash used by operating activities	(36,609,085)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	30,973,583
Local appropriations	
Grants and gifts	
Agency receipts	438,053
Agency disbursements	(262,554)
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	1,781,000
Loan repayments	(2,356,000)
Other non-operating revenue(expense)	(7,987,485)
Net cash provided (used) by non-capital financing activities	22,586,597
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	7,438,352
Capital appropriations-local	
Capital grants and gifts	(339,128)
Purchase capital assets	392,438
Proceeds from sale of capital assets	
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	7,491,662
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	
Net cash provided (used) by investing activities	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6,530,826)</b>
Cash and cash equivalents, beginning of year	13,103,403
<b>Cash and cash equivalents, End of Year</b>	<b>6,572,577</b>

**Virginia Community College System  
System Office  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(36,630,436)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	2,341,051
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	(108,162)
Prepaid expenses and other	2,504,845
Post employment benefits asset	(221,000)
Accrued compensation and leave	(298,733)
Accounts payable and other	(4,597,352)
Unearned revenue	
Deposits pending distribution	1,065
Pension liability	(565,000)
Post employment benefits liability	494,190
Deferred inflows of resources related to pensions and post employment benefits	1,862,356
Deferred outflows of resources related to pensions and post employment benefits	(1,391,909)
<b>Net cash used in operating activities</b>	<u><u>(36,609,085)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	6,572,577
Less: Securities Lending Cash Equivalents	
Cash and cash equivalents end of year	<u><u>6,572,577</u></u>

**Noncash transactions**

Donated fixed assets  
Debt principal and interest payments made by Treasury  
Amortization of bond premium  
Capitalized bond interest costs  
Amortization of deferral on debt defeasance

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

**Virginia Community College System  
Shared Services Center  
Statement of Net Position  
As of June 30, 2018**

	<b>Shared Services Center</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents (Note 2)	129,323
Appropriation available	
Short term investments (Note 2)	
Accounts receivable, net (Note 3)	
Pledges receivable (Note 3)	
Due from commonwealth (Note 4)	
Due from colleges	
Interest receivable	
Prepaid expenses	224,054
Inventories	5,815
Notes receivable, net (Note 3)	
<b>Total Current Assets</b>	<b>359,192</b>
<b>Noncurrent Assets</b>	
Restricted cash and cash equivalents (Note 2)	
Cash equivalents with trustees (Note 2)	
Endowment cash and cash equivalents (Note 2)	
Appropriation available	
Endowment investments (Note 2)	
Other long-term investments (Note 2)	
Accounts receivable, net (Note 3)	
Investments in real estate (Note 2)	
Pledges receivable (Note 3)	
Due from commonwealth (Note 4)	
Notes receivable, net (Note 3)	
Post employment benefit assets	
Non-depreciable capital assets, net (Note 5)	
Depreciable capital assets, net (Note 5)	37,046
<b>Total Noncurrent Assets</b>	<b>37,046</b>
<b>Total Assets</b>	<b>396,238</b>
<b>Deferred Outflows of Resources</b> (Note 8)	438,499
<b>Total Assets and Deferred Outflows of Resources</b>	<b>834,737</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts and retainage payable (Note 6)	210,537
Accrued payroll expense	353,383
Unearned revenue	
Long-term liabilities-current portion (Note 9)	69,081
Securities lending obligation	
Due to Commonwealth	
Due to colleges	
Deposits	
<b>Total Current Liabilities</b>	<b>633,001</b>
<b>Noncurrent Liabilities</b>	
Unearned revenue	
Long-term liabilities (Note 9)	139,123
Due to federal government (Note 9)	
Pension and post employment benefit obligations (Note 9)	
<b>Total Noncurrent Liabilities</b>	<b>139,123</b>
<b>Total Liabilities</b>	<b>772,124</b>

**Virginia Community College System  
Shared Services Center  
Statement of Net Position  
As of June 30, 2018**

	<u>Shared Services Center</u>
<b>Deferred Inflows of Resources</b> (Note 17)	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u><u>772,124</u></u>
<b>Net Position</b>	
Net investment in capital assets	37,046
Restricted for:	
Nonexpendable	
Expendable	
Unrestricted	<u>25,567</u>
<b>Total Net Position</b>	<u><u>62,613</u></u>

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





**Virginia Community College System  
Shared Services Center  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

	<b>Shared Services</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	
Grants and contracts	
Payments to suppliers and others	(923,243)
Payments for employee wages	(3,025,003)
Payments for employee fringes and pension benefits	(1,404,211)
Payment for scholarships	
Payments for utilities	(68,799)
Sales and services of education department	
Auxiliary	
Loans issued to students	
Loans collected from students	
Other	
Net cash used by operating activities	(5,421,256)
<b>Cash flows from non-capital financing activities:</b>	
State appropriations	
Local appropriations	
Grants and gifts	
Agency receipts	
Agency disbursements	
PLUS, Stafford and Direct Lending loan receipts	
PLUS, Stafford and Direct Lending loan disbursements	
Borrowings	
Loan repayments	
Other non-operating revenue(expense)	5,609,614
Net cash provided (used) by non-capital financing activities	5,609,614
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations-state	
Capital appropriations-local	
Capital grants and gifts	
Purchase capital assets	(59,035)
Proceeds from sale of capital assets	
Proceeds from bond issue	
Debt interest payments	
Debt principal payments	
Net cash provided (used) by capital financing activities	(59,035)
<b>Cash flows from investing activities:</b>	
Purchases of investments	
Sale of investments	
Investment income	
Net cash provided (used) by investing activities	
<b>Net increase (decrease) in cash and cash equivalents</b>	129,323
Cash and cash equivalents, beginning of year	
<b>Cash and cash equivalents, End of Year</b>	<b>129,323</b>

**Virginia Community College System  
Shared Services Center  
Statement of Cash Flows  
For the Year Ended June 30, 2018**

Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(5,547,001)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	21,989
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	
Prepaid expenses and other	(229,869)
Post employment benefits asset	
Accrued compensation and leave	561,587
Accounts payable and other	210,537
Unearned revenue	
Deposits pending distribution	
Pension liability	
Post employment benefits liability	
Deferred inflows of resources related to pensions and post employment benefits	
Deferred outflows of resources related to pensions and post employment benefits	(438,499)
<b>Net cash used in operating activities</b>	<u><u>(5,421,256)</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	129,323
Less: Securities Lending Cash Equivalents	
Cash and cash equivalents end of year	<u><u>129,323</u></u>

**Noncash transactions**

Donated fixed assets  
Debt principal and interest payments made by Treasury  
Amortization of bond premium  
Capitalized bond interest costs  
Amortization of deferral on debt defeasance

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