

February 1, 1999

Dr. Robert H. Sandel
President
Mountain Empire Community College
Post Office Drawer 700
Big Stone Gap, VA 24219

Dear Dr. Sanael:

We have reviewed the accompanying balance sheet of **Mountain Empire Community College** as of June 30, 1998, and the related statement of changes in fund balances and current fund revenues, expenditures and other changes for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Mountain Empire Community College.

A review consists principally of inquiries of college personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

This letter is for the express use of the accreditation review board and is not intended to be used for any other purpose.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

Virginia Community College System
Mountain Empire Community College
Balance Sheet
June 30, 1998 with Comparative Figures at June 30,1997

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ASSETS	CURRENT YEAR			Prior Year Total	LIABILITIES AND FUND BALANCES	CURRENT YEAR			Prior Year Total
	State Funds	Local Funds	Total			State Funds	Local Funds	Total	
Current Funds Unrestricted					Current Funds Unrestricted				
Cash and cash equivalents (Note 3)	59,354	533,319	592,673	650,110	Accounts payable	30,737	18,951	49,688	19,234
Investments (Note 3)					Accrued expenses	219,083		219,083	154,109
Accounts receivable (Note 4)	12,667	97,045	109,712	121,796	Accrued leave	596,427		596,427	576,619
Interest receivable					Due to the commonwealth	6,000		6,000	6,000
Loans receivable				1,120	Deferred revenue	12,038		12,038	37,607
Notes receivable					Deposits pending distribution	45	7,442	7,487	33,624
Prepaid expenses					Due to other funds (Note 5)				
Inventories		195,690	195,690	151,491	Fund Balances	(792,309)	959,819	167,510	257,482
Due from other funds (Note 5)		160,158	160,158	160,158					
Total Unrestricted	72,021	986,212	1,058,233	1,084,675	Total Unrestricted	72,021	986,212	1,058,233	1,084,675
Current Funds Restricted					Current Funds Restricted				
Cash and cash equivalents (Note 3)	249,683	41,553	291,236	268,041	Accounts payable	3,361		3,361	1,783
Investments (Note 3)					Accrued expenses	32,167		32,167	25,722
Accounts receivable (Note 4)	100,490		100,490		Accrued leave	30,845		30,845	25,696
Due from grantors					Loans payable				
Due from other funds (Note 5)					Deposits pending distribution				
					Due to other funds (Note 5)	160,158		160,158	160,158
					Fund balances - restricted	123,642	41,553	165,195	54,682
Total Restricted	350,173	41,553	391,726	268,041	Total Restricted	350,173	41,553	391,726	268,041
Total Current Funds	422,194	1,027,765	1,449,959	1,352,716	Total Current Funds	422,194	1,027,765	1,449,959	1,352,716
Loan Funds					Loan Funds				
Cash and cash equivalents (Note 3)				13,416	Accounts payable				
Investments (Note 3)					Deposits pending distribution				
Notes receivable (Note 4)					Due to other funds (Note 5)				
Interest receivable					Fund balances - college funds				13,416
					Fund balances - federal funds				
Total Loan Funds				13,416	Total Loan Funds				13,416
Endowment and Similar Funds					Endowment and Similar Funds				
Cash and cash equivalents (Note 3)					Due to other funds (Note 5)				
Investments (Note 3)					Fund balances - endowment				
Interest receivable					Fund balances - quasi unrestricted				
					Fund balances - quasi restricted				
Total Endowment and Similar Funds					Total Endowment and Similar Funds				

Virginia Community College System
Mountain Empire Community College
Statement of Changes in Fund Balances
For the Year Ended June 30, 1998

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	C U R R E N T F U N D S				LOAN	ENDOWMENT
	Unrestricted		Restricted		FUNDS	FUNDS
	State Funds	Local Funds	State Funds	Local Funds	Local Funds	Local Funds
Revenue and other additions:						
Unrestricted current fund revenue	8,670,653	1,150,674				
State appropriations - restricted			656,892			
Local appropriations - restricted						
Federal grants and contracts - restricted			1,574,941	3,005,469		
State grants and contracts - restricted			16,980	56,708		
Local grants and contracts - restricted			8,241			
Private gifts and grants - restricted			214,645	108,276		
Investment income - restricted						
Endowment income						
U.S. government advances						
Interest on loans receivable						
Expended for plant facilities (including \$228,392 charged to current funds)						
Retirement of indebtedness (including \$0 charged to current funds)						
Recovery of writeoffs					1,921	
Maintenance reserve allocation						
Other sources						
Total revenues and other additions	8,670,653	1,150,674	2,471,699	3,170,453	1,921	
Expenditures and other deductions:						
Educational and general expenditures	8,662,666	55,558	2,144,529	3,302,250		
Auxiliary enterprises expenditures	119,138	725,421				
Indirect costs recovered			63,216	18,870		
Refunded to grantors			1,632	1,142		
Administrative and collection costs						
Loan cancellations and writeoffs						
Expended for plant facilities (includes noncapitalized expenditures of \$136,873)						
Disposal of plant facilities						
Retirement of indebtedness						
Liquidation of endowment						
Interest on indebtedness						
Total expenditures and other deductions	8,781,804	780,979	2,209,377	3,322,262		
Transfers among funds-additions/deductions:						
Mandatory						
Non-mandatory		(348,516)			(15,337)	
Total transfers among funds		(348,516)			(15,337)	
Net increase/(decrease) in fund balances	(111,151)	21,179	262,322	(151,809)	(13,416)	
Fund balance July 1, 1997 as adjusted (Note 10)	(681,158)	938,640	(138,680)	193,362	13,416	
Fund balance June 30, 1998	(792,309)	959,819	123,642	41,553		

Virginia Community College System
Mountain Empire Community College
Statement of Current Funds, Revenues, Expenditures, and Other Changes
For the Year Ended June 30, 1998

	C U R R E N T Y E A R					Prior Year Total
	Unrestricted		Restricted		Total	
	State Funds	Local Funds	State Funds	Local Funds		
Revenues:						
Tuition and fees	2,814,567	72,822			2,887,389	2,699,515
State appropriations (Note 7)	5,633,598		656,892		6,290,490	6,282,699
Local appropriations		97,346			97,346	73,538
Federal grants and contracts	66,559		1,391,574	3,077,526	4,535,659	4,303,781
State grants and contracts	8,000		41,243	118,226	167,469	184,097
Local grants and contracts				865	865	2,284
Private gifts, grants, and contracts	7,527		54,820	105,633	167,980	103,744
Endowment income						
Sales and services of educational departments						
Sales and services of auxiliary enterprises	138,217	921,186			1,059,403	867,525
Other sources						
Commissions on auxiliary operations		216			216	405
Investment income		36,093			36,093	36,356
Rents and leases		22,994			22,994	17,131
Surplus property sales	25				25	
Insurance recoveries						1,207
Miscellaneous	2,160	17			2,177	9,404
Total revenues	8,670,653	1,150,674	2,144,529	3,302,250	15,268,106	14,581,686
Expenditures and mandatory transfers						
Educational and general expenditures						
Instruction	4,327,205		1,343,016		5,670,221	5,881,752
Public service	84,588	12,599			97,187	77,535
Academic support	1,213,814	821			1,214,635	1,021,433
Student services	724,484		148,298		872,782	781,348
Institutional support	1,705,015	32,058			1,737,073	1,828,619
Operation and maintenance of plant	559,171	1,896			561,067	511,604
Scholarships and fellowships	48,389	8,184	653,215	3,302,250	4,012,038	3,685,166
Total educational and general expenditures	8,662,666	55,558	2,144,529	3,302,250	14,165,003	13,787,457
Mandatory transfers for:						
Loan fund matching grant						
Total educational and general	8,662,666	55,558	2,144,529	3,302,250	14,165,003	13,787,457

Virginia Community College System
Mountain Empire Community College
Statement of Current Funds, Revenues, Expenditures, and Other Changes
For the Year Ended June 30, 1998

	C U R R E N T Y E A R					Prior Year Total
	Unrestricted		Restricted			
	State Funds	Local Funds	State Funds	Local Funds	Total	
Auxiliary enterprises:						
Expenditures	119,138	725,421			844,559	746,157
Total expenditures and mandatory transfers	8,781,804	780,979	2,144,529	3,302,250	15,009,562	14,533,614
Other transfers and additions/(deductions):						
Excess of restricted receipts over transfers to revenue			263,954	(150,667)	113,287	32,339
Refunded to grantors			(1,632)	(1,142)	(2,774)	
Nonmandatory transfers:						
(To)/from current funds						
(To)/from loan funds		15,337			15,337	
(To)/from endowment and similar funds						
(To)/from plant funds		(363,853)			(363,853)	(122,300)
Total other transfers and additions/(deductions)		(348,516)	262,322	(151,809)	(238,003)	(89,961)
Net increase (decrease) in fund balances	(111,151)	21,179	262,322	(151,809)	20,541	(41,889)

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

Virginia Community College System
Mountain Empire Community College
Statement of Changes in Fund Balances
For the Year Ended June 30, 1998

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	P L A N T F U N D S					
	Unexpended		Ren/Repl/Debt Retirement		Investment in Plant	
	State Funds	Local Funds	State Funds	Local Funds	State Funds	Local Funds
Revenue and other additions:						
Unrestricted current fund revenue						
State appropriations - restricted	2,511,215		91,996			
Local appropriations - restricted						
Federal grants and contracts - restricted						
State grants and contracts - restricted						
Local grants and contracts - restricted						
Private gifts and grants - restricted						
Investment income - restricted						
Endowment income						
U.S. government advances						
Interest on loans receivable						
Expended for plant facilities (including \$228,392 charged to current funds)					2,782,089	72,377
Retirement of indebtedness (including \$0 charged to current funds)					79,923	
Recovery of writeoffs						
Maintenance reserve allocation			113,540			
Other sources						
Total revenues and other additions	2,511,215		205,536		2,862,012	72,377
Expenditures and other deductions:						
Educational and general expenditures						
Auxiliary enterprises expenditures						
Indirect costs recovered						
Refunded to grantors						
Administrative and collection costs						
Loan cancellations and writeoffs						
Expended for plant facilities (includes noncapitalized expenditures of \$136,873)	2,571,537	77,870	113,540			
Disposal of plant facilities					33,824	
Retirement of indebtedness			79,923			
Liquidation of endowment						
Interest on indebtedness			12,073			
Total expenditures and other deductions	2,571,537	77,870	205,536		33,824	
Transfers among funds-additions/deductions:						
Mandatory						
Non-mandatory	126,020	237,833				
Total transfers among funds	126,020	237,833				
Net increase/(decrease) in fund balances	65,698	159,963			2,828,188	72,377
Fund balance July 1, 1997 as adjusted (Note 10)	423,855	241,143			10,168,390	72,456
Fund balance June 30, 1998	489,553	401,106			12,996,578	144,833

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

**Virginia Community College System
Mountain Empire Community College
Balance Sheet
June 30, 1998 with Comparative Figures at June 30,1997**

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ASSETS	CURRENT YEAR			Prior Year Total	LIABILITIES AND FUND BALANCES	CURRENT YEAR			Prior Year Total
	State Funds	Local Funds	Total			State Funds	Local Funds	Total	
Plant Funds Unexpended					Plant Funds Unexpended				
Cash and cash equivalents (Note 3)		401,106	401,106	257,955	Accounts payable	380,733		380,733	13,454
Appropriations available	650,412		650,412	420,497	Retainage payable	123,654		123,654	
Investments (Note 3)					Bonds payable (Note 9)				
Investments with Trustees (Note 3)					Due to other funds (Note 5)				1,500
Accounts receivable	343,528		343,528		Fund balances-unrestricted				663,498
Interest receivable					Fund balances-restricted	489,553	401,106	890,659	
Total Unexpended	993,940	401,106	1,395,046	678,452	Total Unexpended	993,940	401,106	1,395,046	678,452
Plant Funds Renewals, Replacements, and Debt Retirement					Plant Funds Renewals, Replacements, and Debt Retirement				
Cash and cash equivalents (Note 3)					Accounts payable	23,399		23,399	32,422
Appropriations available					Retainage payable	4,714		4,714	17,840
Accounts receivable					Deposits pending distribution				
Interest receivable					Due to colleges				
Due from system office	28,113		28,113	50,262	Fund balances-restricted				
Total Renewal/Replace/Retire	28,113		28,113	50,262	Total Renewal/Replace/Retire	28,113		28,113	50,262
Plant Funds Investment in Plant					Plant Funds Investment in Plant				
Land	71,565		71,565	71,565	Capital leases payable (Note 8)	440,115		440,115	345,841
Site improvements	1,227,606	144,833	1,372,439	1,300,062	Installment payable (Note 8)				
Buildings	5,864,007		5,864,007	5,864,007	Bonds payable (Note 9)				
Equipment and library books	2,373,648		2,373,648	2,004,882	Net investment in plant	12,996,578	144,833	13,141,411	10,240,846
Construction in progress	3,899,867		3,899,867	1,346,171					
Equity in equipment trust									
Total Investment in Plant	13,436,693	144,833	13,581,526	10,586,687	Total Investment in Plant	13,436,693	144,833	13,581,526	10,586,687
Total Plant Funds	14,458,746	545,939	15,004,685	11,315,401	Total Plant Funds	14,458,746	545,939	15,004,685	11,315,401
Agency Funds					Agency Funds				
Cash and cash equivalents (Note 3)		12,208	12,208	13,137	Accounts payable				
Investments (Note 3)					Deposits held in custody for others		12,208	12,208	13,137
Accounts receivable									
Interest receivable									
Total Agency Funds		12,208	12,208	13,137	Total Agency Funds		12,208	12,208	13,137

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