



# MOUNTAIN EMPIRE COMMUNITY COLLEGE

## REVIEW REPORT FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts  
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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
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February 19, 2019

Dr. Kristen Westover  
President, Mountain Empire Community College

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of **Mountain Empire Community College**, which comprise the Statement of Net Position as of June 30, 2018, and the related Statements of Revenues, Expenses, and Changes in Net Position, and Cash Flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of College management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *Management's Responsibility for the Financial Statements*

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

### *Accountant's Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We have not reviewed the financial statements of Mountain Empire Community College Foundation (Foundation), a discretely presented component unit of Mountain Empire Community College, which is presented in a separate column in the accompanying financial statements. These statements were audited by other auditors whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for the Foundation is based solely on the report of other auditors.

SSARs require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

#### *Accountant's Conclusion*

Based on our review, and the report of other auditors, except for the issue noted in the Known Departures from Accounting Principles Generally Accepted in the United States of America paragraph, 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 accounting principles generally accepted in the United States of America.

#### *Known Departures from Accounting Principles Generally Accepted in the United States of America*

Accounting principles generally accepted in the United States of America require that the financial statements for business-type entities include notes to the financial statements, which are considered part of the basic financial statements. The Virginia Community College System consolidates information from its 23 community colleges into the basic financial statements for the System; however, the System does not prepare note disclosures for each individual college. In addition, the System does not prepare for each college certain required supplementary information, such as management's discussion and analysis and pension and other postemployment benefit-related schedules, which is required to be presented to supplement the basic financial statements. Required supplementary information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The effect of these departures from accounting principles generally accepted in the United States of America has not been determined.

#### *Other Matters*

Mountain Empire Community College is one of 23 community colleges that comprise the Virginia Community College System, which is a component unit of the Commonwealth of Virginia. Federal funds received by the Commonwealth of Virginia are audited at a statewide level by the Auditor of Public Accounts in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As part of the statewide Single Audit of federal funds, the Auditor of Public Accounts audits Federal Student Financial Aid at Virginia's state-supported colleges and universities. The Auditor of Public Accounts audited Mountain Empire Community College's Federal Student Aid programs in fiscal year 2015 and performed follow-up procedures in fiscal years 2016 and 2017 and did not report any material compliance issues. An additional audit of financial aid is ongoing as part of the fiscal year 2018 System financial statement audit. Copies of our audits of the financial

statements of the Virginia Community College System along with copies of our statewide Single Audits may be found on our website at [www.apa.virginia.gov](http://www.apa.virginia.gov).

This letter is intended solely for the information and use of the accreditation review board and is not intended to be and should not be used by anyone other than this specified party. However, this letter is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

EMS/clj

**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	\$ 3,191,804	\$ 228,580
Short term investments	1,000,000	-
Accounts receivable, net	254,074	6,824
Pledges receivable	-	400,000
Due from commonwealth	181,422	-
Due from system office	29,175	-
Prepaid expenses	-	7,777
Inventories	<u>502,768</u>	<u>-</u>
<b>Total Current Assets</b>	<u>5,159,243</u>	<u>643,181</u>
<b>Noncurrent Assets</b>		
Endowment cash and cash equivalents	-	605,780
Endowment investments	-	24,819,603
Investments in real estate	-	76,000
Post employment benefit assets	204,000	-
Non-depreciable capital assets, net	1,365,795	-
Depreciable capital assets, net	<u>19,491,913</u>	<u>-</u>
<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>	<u>1,150,284</u>	<u>-</u>
<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	119,080	190,168
Accrued payroll expense	856,688	-
Unearned revenue	58,251	-
Long-term liabilities-current portion	347,507	-
Securities lending obligation	710	-
Deposits	<u>120,865</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>1,503,101</u>	<u>190,168</u>
<b>Noncurrent Liabilities</b>		
Long-term liabilities	180,158	-
Pension and post employment benefit obligations	<u>11,619,032</u>	<u>-</u>
<b>Total Noncurrent Liabilities</b>	<u>11,799,190</u>	<u>-</u>
<b>Total Liabilities</b>	<u>13,302,291</u>	<u>190,168</u>
<b>Deferred Inflows of Resources</b>	<u>1,528,821</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>14,831,112</u>	<u>190,168</u>
<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	<u>(8,454,733)</u>	<u>4,893,240</u>
<b>Total Net Position</b>	<u>\$12,540,123</u>	<u>\$ 25,954,396</u>

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**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>Component Unit</b>
	<b>Community College</b>	<b>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	-
Auxiliary enterprises (net of scholarship allowance of \$566,366)	463,608	-
Gifts and contributions	-	35,934
Endowment income	-	2,741,944
Other operating revenues	<u>12,003</u>	<u>49,170</u>
<b>Total Operating Revenue</b>	<u>6,218,026</u>	<u>2,827,048</u>
<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	<u>-</u>	<u>42,242</u>
<b>Total Operating Expenses</b>	<u>20,800,721</u>	<u>771,059</u>
<b>Operating Income (Loss)</b>	<u>(14,582,695)</u>	<u>2,055,989</u>
<b>Nonoperating Revenues(Expenses)</b>		
State appropriations	8,178,101	-
Local appropriations	114,235	-
Grants and gifts	5,296,053	-
Investment income	15,966	12
Other nonoperating revenue (expense)	<u>338,898</u>	<u>-</u>
<b>Net Nonoperating Revenue</b>	<u>13,943,253</u>	<u>12</u>
<b>Income before other revenues, expenses gains (losses)</b>	<u>(639,442)</u>	<u>2,056,001</u>
Capital gifts, grants and contracts	277,684	-
Additions to permanent and term endowments	<u>-</u>	<u>405,312</u>
<b>Increase (Decrease) in Net Position</b>	<u>(361,758)</u>	<u>2,461,313</u>
<b>Net Position</b>		
<b>Net Position beginning of year, as restated</b>	<u>12,901,881</u>	<u>23,493,083</u>
<b>Net Position end of year</b>	<u><u>\$12,540,123</u></u>	<u><u>\$ 25,954,396</u></u>

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**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)
Auxiliary	447,839
Other	<u>12,003</u>
<b>Net cash used by operating activities</b>	<u>(13,820,118)</u>
<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)
Other non-operating revenue(expense)	<u>385,227</u>
<b>Net cash provided (used) by non-capital financing activities</b>	<u>13,817,030</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital grants and gifts	274,050
Purchase capital assets	(487,569)
Proceeds from sale of capital assets	<u>5,474</u>
<b>Net cash provided (used) by capital financing activities</b>	<u>(208,045)</u>
<b>Cash flows from investing activities:</b>	
Investment income	<u>15,958</u>
<b>Net cash provided (used) by investing activities</b>	<u>15,958</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(195,175)
<b>Cash and cash equivalents, beginning of year</b>	<u>3,386,269</u>
<b>Cash and cash equivalents, End of Year</b>	<u><u>\$ 3,191,094</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
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	<u>335,063</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (13,820,118)</u></u>
<b>Reconciliation of cash and cash equivalents:</b>	
Cash and cash equivalents per Statement of Net Position	3,191,804
Less: Securities Lending Cash Equivalents	<u>710</u>
<b>Cash and cash equivalents end of year</b>	<u><u>\$ 3,191,094</u></u>
<b>Noncash transactions</b>	
Donated fixed assets	\$ 3,634

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