



EASTERN SHORE COMMUNITY COLLEGE

REVIEW REPORT FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts
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February 20, 2018

Dr. William Greer
Interim President, Eastern Shore Community College

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of **Eastern Shore Community College**, which comprise the Statement of Net Position as of June 30, 2017, 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 (SSARSs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We have not reviewed the financial statements of Eastern Shore Community College Foundation (Foundation), a discretely presented component unit of Eastern Shore 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 reports 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 (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-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

Eastern Shore 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 Eastern Shore Community College Community College's Federal Student Aid programs in fiscal year 2014 and performed follow-up procedures in fiscal year 2015 and did not report any material compliance issues. An additional audit of financial aid is ongoing as part of the fiscal year 2017 System financial statement audit. Copies of our audits of the

financial statements of the System along with copies of our statewide Single Audits may be found on our website at 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/alh

**Virginia Community College System
Eastern Shore Community College
Statement of Net Position
As of June 30, 2017**

	Community College	Component Unit Eastern Shore Community College Foundation
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,841,424	\$ 158,581
Accounts receivable, net	34,857	10,000
Pledges receivable	-	207,098
Total Current Assets	1,876,281	375,679
Noncurrent Assets		
Restricted cash and cash equivalents	6,849	-
Endowment investments	-	863,287
Other long-term investments	-	2,287,968
Pledges receivable	-	334,032
Non-depreciable capital assets, net	2,218,541	-
Depreciable capital assets, net	6,332,517	-
Total Noncurrent Assets	8,557,907	3,485,287
Total Assets	10,434,188	3,860,966
Deferred Outflows of Resources	878,259	-
Total Assets and Deferred Outflows of Resources	11,312,447	3,860,966
Liabilities		
Current Liabilities		
Accounts and retainage payable	67,341	8,720
Accrued payroll expense	362,017	1,294
Unearned revenue	64,780	-
Long-term liabilities-current portion	149,725	-
Deposits	65,315	-
Total Current Liabilities	709,178	10,014
Noncurrent Liabilities		
Long-term liabilities	63,871	-
Pension obligations	4,290,000	-
Total Noncurrent Liabilities	4,353,871	-
Total Liabilities	5,063,049	10,014
Deferred Inflows of Resources	394,000	-
Total Liabilities and Deferred Inflows of Resources	5,457,049	10,014
Net Position		
Net investment in capital assets	8,551,058	-
Restricted for:		
Nonexpendable	-	790,827
Expendable	38,944	2,158,710
Unrestricted	(2,734,604)	901,415
Total Net Position	\$ 5,855,398	\$ 3,850,952

See Independent Accountant's Review Report

**Virginia Community College System
Eastern Shore Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017**

	Community College	Component Unit Eastern Shore Community College Foundation
Revenues		
Operating Revenue		
Tuition and fees (net of scholarship allowance of \$939,473)	\$ 915,483	\$ -
Federal grants and contracts	517,729	-
State and local grants	97,521	-
Nongovernmental grants	80,871	-
Auxiliary enterprises (net of scholarship allowance of \$3,021)	22,421	-
Gifts and contributions	-	624,554
Endowment income	-	160,761
Other operating revenues	71,078	22,377
Total Operating Revenue	1,705,103	807,692
Expenses		
Operating Expenses		
Instruction	3,286,308	-
Public service	31,640	-
Academic support	250,048	153,366
Student services	666,875	-
Institutional support	1,523,217	165,326
Operation and maintenance	586,658	-
Scholarships and fellowships	522,843	55,168
Auxiliary enterprises	5,585	-
Other expenses	817	-
Total Operating Expenses	6,873,991	373,860
Operating Income (Loss)	(5,168,888)	433,832
Nonoperating Revenues(Expenses)		
State appropriations	3,827,714	-
Local appropriations	39,745	-
Grants and gifts	1,112,868	-
Investment income	4,922	55,666
Other nonoperating revenue (expense)	82,665	-
Net Nonoperating Revenue	5,067,914	55,666
Income before other revenues, expenses gains (losses)	(100,974)	489,498
Capital appropriations-local	112,000	-
Increase (Decrease) in Net Position	11,026	489,498
Net Position		
Net Position beginning of year	5,844,372	3,361,454
Net Position end of year	\$ 5,855,398	\$ 3,850,952

See Independent Accountant's Review Report

**Virginia Community College System
Eastern Shore Community College
Statement of Cash Flows
For the Year Ended June 30, 2017**

	<u>Community College</u>
Cash flows from operating activities:	
Tuition and fees	\$ 930,426
Grants and contracts	759,725
Payments to suppliers and others	(1,027,773)
Payments for employee wages	(3,637,324)
Payments for employee fringes and pension benefits	(1,499,391)
Payment for scholarships	(477,313)
Payments for utilities	(123,321)
Auxiliary	22,421
Loans collected from students	374
Other	70,566
Net cash used by operating activities	<u>(4,981,610)</u>
Cash flows from non-capital financing activities:	
State appropriations	3,827,714
Local appropriations	39,745
Grants and gifts	1,112,868
Agency receipts	36,222
Agency disbursements	(24,322)
Other non-operating revenue (expense)	82,665
Net cash provided (used) by non-capital financing activities	<u>5,074,892</u>
Cash flows from capital and related financing activities:	
Capital appropriations-local	112,000
Purchase capital assets	(320,225)
Net cash provided (used) by capital financing activities	<u>(208,225)</u>
Cash flows from investing activities:	
Investment income	4,922
Net cash provided (used) by investing activities	<u>4,922</u>
Net increase (decrease) in cash and cash equivalents	(110,021)
Cash and cash equivalents, beginning of year	<u>1,958,294</u>
Cash and cash equivalents, End of Year	<u><u>1,848,273</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(5,168,888)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	417,668
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	94,400
Prepaid expenses and other	795
Accrued compensation and leave	(17,624)
Accounts payable and other	(58,011)
Unearned revenue	9,750
Net pension liability	608,000
Deferred inflows of resources related to pensions	(382,000)
Deferred outflows of resources related to pensions	(485,700)
Net cash used in operating activities	<u><u>\$ (4,981,610)</u></u>
Noncash transactions	
Donated fixed assets	\$ -

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