



RAPPAHANNOCK COMMUNITY COLLEGE

REVIEW REPORT FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 16, 2018

Dr. Elizabeth Crowther
President, Rappahannock Community College

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of **Rappahannock 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 (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 Rappahannock Community College Educational Foundation (Foundation), a discretely presented component unit of Rappahannock 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 (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

Rappahannock 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 Rappahannock Community College Community College's Federal Student Aid programs in fiscal year 2013 and performed follow up procedures in fiscal years 2014 and 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/clj

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

	<u>Community College</u>	<u>Component Unit Rappahannock Community College Educational Foundation</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,130,337	\$ 341,487
Short term investments	760,000	-
Accounts receivable, net	84,426	1,447
Pledges receivable	-	38,450
Due from Commonwealth	70,358	-
Due from system office	1,316	-
Interest receivable	12,407	-
Prepaid expenses	76,038	1,062
Inventories	89,095	-
Total Current Assets	<u>4,223,977</u>	<u>382,446</u>
Noncurrent Assets		
Endowment investments	-	9,215,317
Investments in real estate	-	50,000
Pledges receivable	-	6,346
Non-depreciable capital assets, net	301,534	6,857
Depreciable capital assets, net	13,509,826	-
Total Noncurrent Assets	<u>13,811,360</u>	<u>9,278,520</u>
Total Assets	<u>18,035,337</u>	<u>9,660,966</u>
Deferred Outflows of Resources	<u>1,361,515</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>19,396,852</u>	<u>9,660,966</u>
Liabilities		
Current Liabilities		
Accounts and retainage payable	684,747	1,367
Accrued payroll expense	894,673	-
Unearned revenue	366,600	-
Long-term liabilities-current portion	334,521	1,912
Deposits	1,101,581	-
Total Current Liabilities	<u>3,382,122</u>	<u>3,279</u>
Noncurrent Liabilities		
Long-term liabilities	310,416	-
Pension obligations	8,799,000	-
Total Noncurrent Liabilities	<u>9,109,416</u>	<u>-</u>
Total Liabilities	<u>12,491,538</u>	<u>3,279</u>
Deferred Inflows of Resources	<u>351,000</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>12,842,538</u>	<u>3,279</u>
Net Position		
Net investment in capital assets	13,663,034	6,857
Restricted for:		
Nonexpendable	-	3,249,858
Expendable	-	5,720,917
Unrestricted	(7,108,720)	680,055
Total Net Position	<u>\$ 6,554,314</u>	<u>\$ 9,657,687</u>

See Independent Accountant's Review Report

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

	Community College	Component Unit Rappahannock Community College Educational Foundation
Revenues		
Operating Revenue		
Tuition and fees (net of scholarship allowance of \$2,282,417)	\$ 6,379,055	\$ -
Federal grants and contracts	909,424	-
State and local grants	44,275	-
Nongovernmental grants	97,391	-
Auxiliary enterprises (net of scholarship allowance of \$7,308)	151,394	-
Gifts and contributions	-	494,015
Endowment income	-	1,137,519
Other operating revenues	67,602	-
Total Operating Revenue	7,649,141	1,631,534
Expenses		
Operating Expenses		
Instruction	9,471,694	115,899
Public service	35,765	-
Academic support	2,434,490	-
Student services	1,325,749	-
Institutional support	3,579,020	124,977
Operation and maintenance	2,347,650	17,906
Scholarships and fellowships	1,365,709	483,482
Auxiliary enterprises	63,518	-
Fundraising	-	73,256
Total Operating Expenses	20,623,595	815,520
Operating Income (Loss)	(12,974,454)	816,014
Nonoperating Revenues(Expenses)		
State appropriations	8,188,047	-
Local appropriations	45,067	-
Grants and gifts	2,919,707	-
Investment income	12,521	-
Interest on capital asset related debt	(2,320)	-
Other nonoperating revenue (expense)	704,809	-
Net Nonoperating Revenue	11,867,831	-
Income before other revenues, expenses gains (losses)	(1,106,623)	816,014
Capital appropriations-local	81,536	-
Capital gifts, grants and contracts	362,143	-
Additions to permanent and term endowments	-	258,693
Increase (Decrease) in Net Position	(662,944)	1,074,707
Net Position		
Net Position beginning of year	7,217,258	8,582,980
Net Position end of year	\$ 6,554,314	\$ 9,657,687

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

	Community College
Cash flows from operating activities:	
Tuition and fees	\$ 6,302,636
Grants and contracts	1,067,829
Payments to suppliers and others	(2,832,426)
Payments for employee wages	(11,905,398)
Payments for employee fringes and pension benefits	(3,075,714)
Payment for scholarships	(1,390,604)
Payments for utilities	(295,620)
Auxiliary	151,486
Loans issued to students	(467)
Loans collected from students	882
Other	69,431
Net cash used by operating activities	(11,907,965)
Cash flows from non-capital financing activities:	
State appropriations	8,188,047
Local appropriations	45,067
Grants and gifts	2,849,349
Agency receipts	4,906
Agency disbursements	(4,212)
Other non-operating revenue(expense)	750,081
Net cash provided (used) by non-capital financing activities	11,833,238
Cash flows from capital and related financing activities:	
Capital appropriations-local	81,536
Capital grants and gifts	359,666
Purchase capital assets	(483,686)
Proceeds from sale of capital assets	2,742
Debt interest payments	(2,320)
Debt principal payments	(23,582)
Net cash provided (used) by capital financing activities	(65,644)
Cash flows from investing activities:	
Investment income	11,299
Net cash provided (used) by investing activities	11,299
Net increase (decrease) in cash and cash equivalents	(129,072)
Cash and cash equivalents, beginning of year	3,259,409
Cash and cash equivalents, End of Year	3,130,337
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(12,974,454)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	1,133,710
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	198,497
Prepaid expenses and other	20,371
Accrued compensation and leave	(126,938)
Accounts payable and other	124,493
Unearned revenue	(79,394)
Deposits pending distribution	10,329
Net pension liability	629,000
Deferred inflows of resources related to pensions	(411,000)
Deferred outflows of resources related to pensions	(432,579)
Net cash used in operating activities	\$ (11,907,965)
Noncash transactions	
Donated fixed assets	\$ 2,477

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