

**VIRGINIA POLYTECHNIC
INSTITUTE AND STATE UNIVERSITY
BLACKSBURG, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2002**



- TABLE OF CONTENTS -

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF
AGREED-UPON PROCEDURES

SCHEDULE:

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs

Notes to the Schedule of Revenues and Expenditures of Intercollegiate
Athletic Programs

UNIVERSITY OFFICIALS

October 31, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission

Dr. Charles W. Steger
President, Virginia Polytechnic
Institute and State University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of **Virginia Polytechnic Institute and State University** as of and for the year ended June 30, 2002, and have issued our unqualified report thereon dated October 31, 2002. At the request of the President of the University, we have also performed certain agreed-upon procedures to the University's Intercollegiate Athletic Programs for the fiscal year ended June 30, 2002, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletic Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 2002, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the

Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Tech Foundation, Incorporated, an affiliated organization, and the Virginia Tech Athletic Fund, Incorporated, a booster organization, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletics.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the intercollegiate athletics department of Virginia Polytechnic Institute and State University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Virginia Polytechnic Institute and State University or its Intercollegiate Athletic Programs taken as a whole.

Internal Control Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Virginia Polytechnic Institute and State University is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the

use of internal audit in the department, competence of personnel, and protection of records and equipment.

- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the University's financial statements. Our review also included those controls unique to Intercollegiate Athletics, which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of Virginia Polytechnic Institute and State University in effect for the year ended June 30, 2002, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the University.

This report is intended solely for the information and use of University and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

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kva: 50

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2002

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports
Operating revenues:					
Ticket sales	\$6,799,233	\$ 552,260	\$ 149,160	\$ 4,142	\$ 125
TV and radio	1,844,521	163,846	40,961	-	-
Program sales	18,430	1,520	3,504	-	-
Advertising	108,607	28,962	7,240	-	-
Gifts:					
Unrestricted	285,491	53,391	125,663	113,834	65,543
Restricted - Scholarship support	1,377,814	251,256	259,070	553,702	976,199
Restricted - Other	554,144	240,504	240,504	-	-
Student activity fees	-	-	-	-	1,908,934
Concessions	261,260	43,543	43,543	-	-
Investment income	55,092	-	-	-	-
Conference allocation	2,025,000	45,401	32,962	50,470	37,790
NCAA allocation	-	-	-	-	-
Lease assessments	-	-	-	-	-
Parking	207,656	-	-	-	-
Other income	98,219	8,245	6,138	-	-
Bowl Game/NCAA revenue	1,315,431	-	20,218	5,646	320
Total operating revenues	14,950,898	1,388,928	928,963	727,794	2,988,911
Operating expenditures:					
Coaches' salaries	2,410,296	392,159	386,511	506,353	474,775
Other salaries	422,798	95,704	90,043	18,700	3,407
Fringe benefits	421,540	105,446	93,311	142,915	124,211
Travel:					
Team	1,006,144	171,092	104,725	375,461	364,671
Recruiting	138,247	31,973	58,362	48,372	62,740
Administrative	88,915	5,701	26,338	9,901	12,731
Game settlements	1,050,000	120,500	18,328	-	-
Conference fee	-	-	-	-	-
Financial aid	1,409,785	257,086	265,081	566,550	1,314,425
University administrative fee (Note 5)	-	-	-	-	-
Repairs, maintenance, equipment, and supplies	1,700,238	92,554	174,617	369,283	358,432
Game officials	54,071	76,931	66,309	25,047	30,429
Insurance	2,930	1,336	717	668	394
Printing, photography, and subscriptions	116,360	23,179	17,920	3,021	1,067
Telecommunications	86,824	38,295	27,881	25,863	28,469
Publicity	141,029	97,881	55,779	23,561	20,165
Game operations	93,757	982	1,179	5,789	6,271
Medical	52,771	28,871	17,901	18,314	46,062
Other	990,517	102,810	85,247	57,800	41,333
Total operating expenditures	10,186,222	1,642,500	1,490,249	2,197,598	2,889,582
Excess (deficiency) of revenues over (under) expenditures for the year	4,764,676	(253,572)	(561,286)	(1,469,804)	99,329
Transfers to plant funds for capital improvements	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and transfers for the year	\$4,764,676	\$ (253,572)	\$ (561,286)	\$ (1,469,804)	\$ 99,329

The accompanying Notes to the Schedule of Revenues and Expenditures
of Intercollegiate Athletic Programs are an integral part of this Schedule.

	Non-Program Specific	Total
\$	-	\$7,504,920
	-	2,049,328
	241,674	265,128
	-	144,809
	629,993	1,273,915
	48,012	3,466,053
	-	1,035,152
	3,917,496	5,826,430
	-	348,346
	195,305	250,397
	-	2,191,623
	386,502	386,502
	385,599	385,599
	-	207,656
	117,100	229,702
	-	1,341,615
	5,921,681	26,907,175
	204,178	4,374,272
	2,581,274	3,211,926
	679,842	1,567,265
	21,141	2,043,234
	-	339,694
	81,760	225,346
	-	1,188,828
	200,000	200,000
	49,126	3,862,053
	986,295	986,295
	1,301,240	3,996,364
	-	252,787
	183,236	189,281
	116,022	277,569
	146,907	354,239
	92,130	430,545
	4,259	112,237
	1,380	165,299
	368,279	1,645,986
	7,017,069	25,423,220
	(1,095,388)	1,483,955
	1,543,156	1,543,156
\$	(2,638,544)	\$ (59,201)

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2002

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current funds revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 2002. The Schedule includes those intercollegiate athletic revenues and expenditures made in behalf of the University's athletic programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures and other deductions for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received \$4,870,163 from the Virginia Tech Foundation, Incorporated. Approximately \$3,265,675 of these funds were for grant-in-aid scholarships for student-athletes. These contributions are included in the accompanying schedule.

3. OBLIGATIONS

The Athletic Department canceled the football games scheduled with James Madison University through 1999. The contract settlement requires a payment of \$25,000 to James Madison University on March 31, 2004.

4. BONDS PAYABLE

In October 1996, two revenue bonds totaling \$9,790,000 were issued for the Athletic Department. A \$6,250,000 bond for athletic facility improvements will be repaid with general operating revenues through 2016. Also, a \$3,540,000 million bond was issued for the Merryman Athletic facility. This bond will be repaid with private fund raising by the University through 2004.

In October 2001, a \$26,285,000 revenue bond was issued for the Athletic Department. This bond was issued for the South End Zone addition to Lane Stadium. This bond will be repaid with private fund raising and operating revenues through 2027.

5. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Department paid \$986,295 that is recorded as Non-Program Specific.

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
Blacksburg, Virginia

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