

**UNIVERSITY OF VIRGINIA  
CHARLOTTESVILLE, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2003**



## **AUDIT SUMMARY**

Our audit of the University of Virginia for the year ended June 30, 2003, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses;
- no instances of noncompliance required to be reported; and
- adequate corrective action of prior year audit findings.

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# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

November 10, 2003

The Honorable Mark R. Warner  
Governor of Virginia

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

Board of Visitors  
University of Virginia

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

We have audited the basic financial statements of the **University of Virginia**, a component unit of the Commonwealth of Virginia, as of and for the year then ended June 30, 2003, and have issued our report thereon dated November 10, 2003. Our report on the financial statements is contained in the President's Report 2002-03 issued by the University. The financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of Virginia. The accompanying Schedule of Auxiliary Enterprises – Revenues and Expenses and the State Student Loan Fund Schedule are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2003, on our consideration of the University's internal control over financial reporting and on

our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the University of Virginia as of and for the year ended June 30, 2003, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

### Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

### Report Distribution and Exit Conference

The “Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, its audit committee, and management, 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. We discussed this report with management at an exit conference held on November 10, 2003.

AUDITOR OF PUBLIC ACCOUNTS

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UNIVERSITY OF VIRGINIA  
SCHEDULE OF AUXILIARY ENTERPRISES - REVENUES AND EXPENSES  
For the Year Ended June 30, 2003  
(in thousands)

	Dining Services	Residential Facilities	Student Health
Operating revenues:			
Student tuition and fees	\$ -	\$ 20	\$ 6,463
Sales and services of auxiliary enterprises	4,096	20,030	46
Total operating revenues	4,096	20,050	6,509
Operating expenses:			
Compensation and benefits	327	5,734	4,843
Supplies and other services	209	3,509	1,086
Scholarships and fellowships	1	-	-
Utilities	103	3,895	122
Depreciation	11	10	15
Other	-	1	-
Total operating expenses	651	13,149	6,066
Operating income / (loss)	3,445	6,901	443
Nonoperating revenues/expenses:			
Gifts	-	-	-
Investment income	562	72	57
Transfers for debt service, capital improvements and other	(2,661)	(6,838)	(117)
Other	-	(1)	(8)
Total nonoperating revenues / (expenses)	(2,099)	(6,767)	(68)
Net revenue / (expenses)	\$ 1,346	\$ 134	\$ 375

Stores and Shops	Student Activities	Faculty/Staff Services	Parking and Transportation	Athletics	Other Auxiliaries	Total
\$ 355	\$ 7,273	\$ -	\$ 1,738	\$ 5,740	\$ 500	\$ 22,089
25,207	1,085	2,338	5,765	21,011	4,219	83,797
25,562	8,358	2,338	7,503	26,751	4,719	105,886
3,250	2,617	1,067	2,959	14,046	1,461	36,304
22,538	2,258	646	691	12,165	2,871	45,973
-	-	-	-	76	-	77
149	535	193	581	1,198	421	7,197
21	20	5	13	141	25	261
-	8	51	40	24	176	300
25,958	5,438	1,962	4,284	27,650	4,954	90,112
(396)	2,920	376	3,219	(899)	(235)	15,774
-	1	-	-	16,303	-	16,304
193	161	67	20	311	174	1,617
(1,738)	(3,822)	(1,651)	(2,222)	(6,767)	(298)	(26,114)
(1)	(1)	-	-	(1)	(1)	(13)
(1,546)	(3,661)	(1,584)	(2,202)	9,846	(125)	(8,206)
\$ (1,942)	\$ (741)	\$ (1,208)	\$ 1,017	\$ 8,947	\$ (360)	\$ 7,568



UNIVERSITY OF VIRGINIA  
STATE STUDENT LOAN SCHEDULE  
For the Year Ended June 30, 2003

The University has used its Commonwealth of Virginia Student Loan Fund to provide matching funds to meet the institutional contribution requirements of the federally-sponsored Perkins Loan Program. At June 30, 2003, the fund balance of the State Student Loan Fund consisted of the following:

Cash	\$ 8,128
Due from Perkins Loan Program	<u>82,306</u>
Fund Balance	<u>\$ 90,434</u>

UNIVERSITY OF VIRGINIA  
Charlottesville, Virginia

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