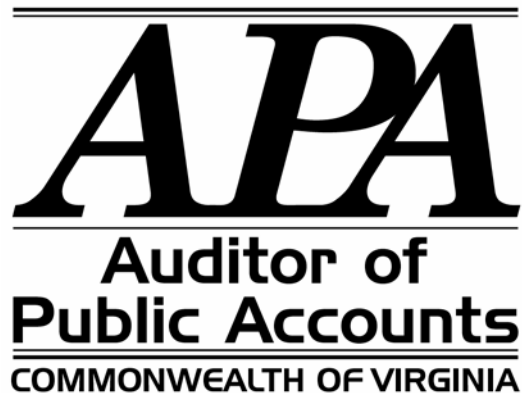


**SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2005**



## **AUDIT SUMMARY**

Our audit of the Southwest Virginia Higher Education Center for the year ended June 30, 2005, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System (CARS) and in the University of Virginia's accounting system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance or other matters with applicable laws and regulations.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY HIGHLIGHTS	1-2
INDEPENDENT AUDITOR'S REPORT	3-4
AGENCY OFFICIALS	5

### AGENCY HIGHLIGHTS

The Southwest Virginia Higher Education Center (Center) seeks to strengthen the economy of Southwest Virginia through education and training of the workforce. The Center's primary mission is to encourage the expansion of higher education, including adult and continuing education, associate, undergraduate, and degree graduate programs in Southwest Virginia and foster partnerships between the public and private sectors to enhance higher education in the region. The Center also coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region in coordination with the State Council of Higher Education for Virginia.

The Center has eight academic partners:

Emory & Henry College  
Old Dominion University  
Radford University  
University of Virginia

University of Virginia's College at Wise  
Virginia Highlands Community College  
Virginia Intermont College  
Virginia Polytechnic Institute and State University

The Center also leases out meeting and conference facilities during the year. Events held at the Center include training, meetings, trade shows, banquets, interviews, and seminars.

The Center offers more than 65 undergraduate and graduate degree programs through its relationship with its academic partners. Registrations for the 2004 - 2005 academic year increased four percent over the previous academic year. The increase is consistent with 2003 - 2004 over the 2002 - 2003 academic years.

#### Total Enrollment / Class Registrations

<u>Academic Year</u>	<u>Fall</u>	<u>Spring</u>
2002 - 2003	1,052	1,226
2003 - 2004	1,112	1,251
2004 - 2005	1,296	1,169

The Center administers the Southwest Burley Scholarship Program and the Southside Virginia Tobacco Teacher Scholarship and Loan Program funded by the Virginia Tobacco Indemnification and Community Revitalization Commission. The Center also received a Southwest Virginia Export Initiative economic development grant from the Commission.

Revenues and expenses of the Center for the year ended June 30, 2005, are shown in the following table.

Revenues and Expenses for the Year Ended June 30, 2005

Revenues:

State appropriations	\$1,665,527
Tobacco Foundation scholarship funding	2,869,189
Special event rentals and leased office space	621,276
Other revenues	<u>101,867</u>

Total revenues \$5,257,859

Expenses:

Compensation and benefits	\$ 983,304
Supplies and services	1,403,460
Scholarships and fellowships	2,570,307
Utilities	181,478
Depreciation	445,980
Other	<u>17,533</u>

Total expenses \$5,602,062

The Center's expenses exceed its revenues due to the recordation of depreciation. Capital appropriations and construction expenses are not recorded in the above table and contribute to the net capital assets of the Center.

The Center had a ten percent increase in General Fund revenue in fiscal year 2005. The Center did not receive any additional appropriation for fiscal year 2006 and therefore, General Fund revenue will remain the same. The Center anticipates receiving an additional \$2.785 million to its existing allocation of general obligation bond funds of \$1.6 million for an expansion of the Grand Hall building. The expansion will enlarge the capacity of Grand Hall and allow for the creation of second floor classrooms, as well as faculty office space. The Center expects to receive the funds in 2007.



# Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

March 31, 2006

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Southwest Virginia Higher Education Center** for the year ended June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## INDEPENDENT AUDITOR'S REPORT

### Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of the Center's financial transactions on the Commonwealth Accounting and Reporting System and on the University of Virginia's accounting system, review the adequacy of the Center's internal controls, and test compliance with applicable laws and regulations.

### Audit Scope and Methodology

The Center's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Center's controls were adequate, had been placed in operation, and were being followed. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues  
Expenditures

Our audit also included tests of compliance with provisions of applicable laws and regulations. We tested transactions and performed such other auditing procedures, as we considered necessary to achieve our

objectives. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Center's operations. These procedures included reviews of documents and records at the University of Virginia, which provides administrative support for the Center. We tested transactions and performed analytical procedures, including trend analyses.

### Conclusions

We found that financial information for the Center was properly stated, in all material respects, by the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the University of Virginia's financial accounting system. The Center records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the University of Virginia's financial accounting system and the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### EXIT CONFERENCE

We discussed this report with management on April 10, 2006. This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JHS/kva

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER

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Virginia Community College System

Roseann Runte, President  
Old Dominion University

Penelope W. Kyle, President  
Radford University

Sondra Stallard, President Appointed  
University of Virginia

Daniel LaVista, Director  
State Council of Higher Education for Virginia

Charles Steger, President  
Virginia Polytechnic Institute and State University

David J. Prior, Chancellor  
University of Virginia's College at Wise

David Wilkin, President  
Virginia Highlands Community College

EXECUTIVE DIRECTOR

Rachel D. Fowlkes