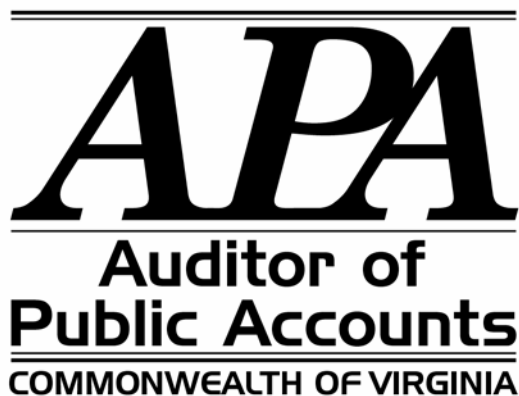


NORFOLK STATE UNIVERSITY

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2004**



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UNIVERSITY OFFICIALS



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 27, 2005

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

Dr. Marie McDemmond
President, Norfolk State University

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

We have audited the financial statements of Norfolk State University as of and for the year ended June 30, 2004, and have issued our unqualified report thereon dated May 27, 2005. At the request of the President of the University, we have performed certain agreed-upon procedures to the University's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2004, 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 Athletics Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletics 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 Athletics Programs – Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2004, 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 work sheet 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 review of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletics Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Athletic Foundation of Norfolk State University, an affiliated 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 Athletics 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 Norfolk 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/College. This report relates only to the accounts and items specified above and does not extend to the financial statements of Norfolk State University or its Intercollegiate Athletics Department taken as a whole.

Internal Control Related to Intercollegiate Athletics Programs – Agreed-Upon Procedures

The management of Norfolk State University is responsible for establishing and maintaining internal control for its Intercollegiate Athletics 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 change 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 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 Athletics Programs. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with the audit of the University 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 activities of the Athletics Foundation of Norfolk State University 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 Norfolk State University in effect for the year ended June 30, 2004, 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 Athletics Program activities administered by the University.

This report is intended solely for the information and use of the 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

JHS/kva

NORFOLK STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2004

| | Administrative and General | Football | Men's Basketball | Women's Basketball | Other Sports* | Total |
|---|-------------------------------|--------------|---------------------|-----------------------|------------------|---------------|
| Revenues: | | | | | | |
| Student activity fees | \$ 2,930,898 | \$ 1,209,073 | \$ 405,416 | \$ 420,089 | \$ 1,550,630 | \$ 6,516,106 |
| Ticket sales | 1,882 | 339,802 | 71,543 | 11,633 | - | 424,860 |
| Concessions | 8,725 | - | - | - | - | 8,725 |
| Facilities rentals | 1,700 | - | - | - | - | 1,700 |
| Game guarantees | - | 34,519 | 101,442 | - | - | 135,961 |
| Gifts and grants | 106,494 | - | - | - | - | 106,494 |
| Other income | 274,022 | 3,539 | 7,749 | - | 900 | 286,210 |
| Total revenues | 3,323,721 | 1,586,933 | 586,150 | 431,722 | 1,551,530 | 7,480,056 |
| Expenditures: | | | | | | |
| Salaries and fringe benefits | 828,692 | 514,679 | 259,068 | 209,697 | 324,546 | 2,136,682 |
| Travel | 39,110 | 146,180 | 124,715 | 58,803 | 198,537 | 567,345 |
| Financial aid | 47,420 | 606,095 | 176,665 | 184,246 | 896,827 | 1,911,253 |
| Maintenance and general | 674,358 | 160,449 | 44,473 | 49,212 | 198,400 | 1,126,892 |
| Equipment | 7,082 | 1,418 | - | - | - | 8,500 |
| Telephone | 15,433 | 5,525 | 3,169 | - | 4,220 | 28,347 |
| Auxiliary administration | 167,648 | 149,163 | 63,238 | 52,201 | 168,733 | 600,983 |
| Total expenditures | 1,779,743 | 1,583,509 | 671,328 | 554,159 | 1,791,263 | 6,380,002 |
| Excess/(deficiency) of revenues over/(under) operating expenditures before transfers | 1,543,978 | 3,424 | (85,178) | (122,437) | (239,733) | 1,100,054 |
| Mandatory transfers - debt service | - | (721,838) | (208,627) | (36,816) | - | (967,281) |
| Non-mandatory transfers - from other funds | 19,240 | - | - | 3,848 | - | 23,088 |
| Net increase (decrease) in fund balances | \$ 1,563,218 | \$ (718,414) | \$ (293,805) | \$ (155,405) | \$ (239,733) | 155,861 |
| Fund balance at July 1, 2003 | | | | | | (1,218,827) |
| Fund balance at June 30, 2004 | | | | | | \$(1,062,966) |

*Other sports include baseball, men's track & field, men's tennis, wrestling, softball, women's track & field, women's tennis, women's volleyball, and bowling.

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

NORFOLK STATE UNIVERSITY

NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF

INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2004

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs has been prepared on the modified accrual basis of accounting. The Schedule accounts for capital purchases as expenditures when purchased with current revenues, does not account for depreciation, and accounts for long term capital purchases as amounts for debt service are transferred to the general University accounts. The purpose of the Schedule is to present a summary of revenues and expenditures of the Intercollegiate Athletic Programs of the University for the year ended June 30, 2004 using the accounting methods used by the University to monitor Intercollegiate Athletic Program activities. The Schedule includes only those Intercollegiate Athletic revenues and expenditures under the direct 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 financial position, or changes in cash flows for the year then ended.

2. ALLOCATION OF ATHLETIC OVERHEAD COSTS

The University recovers overhead costs such as utilities and custodial services from all auxiliary enterprises on campus, including athletics. The amount recovered is a percentage of each auxiliary enterprise's expenditures during the fiscal year. In the fiscal year ended June 30, 2004, the overhead rate charged to athletics and other auxiliary enterprises was 10.13 percent.

3. BONDS PAYABLE

The University issued General Revenue Pledge Bonds in 1996 for \$9,260,000 to finance construction of a sports stadium. The bonds will be repaid with general operating revenue through 2018.

NORFOLK STATE UNIVERSITY

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Marty L. Miller, Acting Athletics Director