

**UNIVERSITY OF VIRGINIA
CHARLOTTESVILLE, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the University of Virginia for the year ended June 30, 2004, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses; and
- no instances of noncompliance or other matters required to be reported.

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Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

October 20, 2004

The Honorable Mark R. Warner
Governor of Virginia

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

Board of Visitors
University of Virginia

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

We have audited the financial statements of the **University of Virginia** as of and for the year ended June 30, 2004, and have issued our report thereon dated October 20, 2004. 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.

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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

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 ended June 30, 2004, and have issued our report thereon dated October 20, 2004. Our report on the financial statements is contained in the President's Report 2003-04 issued by the University. The financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the 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 October 20, 2004, on our consideration of the University of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters" and the "Independent Auditor's Report on Supplementary Information" are 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 are not intended to be and should not be used by anyone, other than

these specified parties. However, these reports are a matter of public record and their distribution is not limited. We discussed these reports with management at an exit conference held on October 20, 2004.

AUDITOR OF PUBLIC ACCOUNTS

JHS:whb
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SUPPLEMENTARY INFORMATION

UNIVERSITY OF VIRGINIA
SCHEDULE OF AUXILIARY ENTERPRISES - REVENUES AND EXPENSES
For The Year Ended June 30, 2004
(in thousands)

	Dining Services	Residential Facilities	Student Health	Stores and Shops
Operating revenues:				
Student tuition and fees	\$ 66	\$ (40)	\$ 5,965	\$ 312
Sales and services	1,884	21,854	724	27,163
Total operating revenues	1,950	21,814	6,689	27,475
Operating expenses:				
Compensation and benefits	1,798	6,082	5,174	3,517
Supplies and other services (recoveries)	(3,342)	(1,437)	(119)	(7,647)
Supplies and other services (non-recoveries)	(29)	5,118	1,508	27,106
Student aid	-	-	1	-
Utilities	654	3,860	121	160
Depreciation (Note 1)	14	13	11	18
Other	-	4	1	663
Total operating expenses	(905)	13,640	6,697	23,817
Operating income/(loss)	2,855	8,174	(8)	3,658
Nonoperating revenues(expenses):				
Gifts	-	-	-	-
Investment income	333	67	36	79
Other non-operating revenues/(expenses)	(7)	(23)	(28)	(10)
Transfers to plant and other	(2,989)	(9,380)	(188)	(2,276)
Net revenue/(expenses)	\$ 192	\$ (1,162)	\$ (188)	\$ 1,451

Note 1: Depreciation not reported by function in the functional matrix footnote in the Financial Report.

Student Activities	Faculty and Staff Services	Parking and Transportation	Athletics	Other Auxiliary Enterprises	Total
\$ 8,936	\$ -	\$ 1,960	\$ 6,762	\$ 1,233	\$ 25,194
2,656	1,959	6,186	23,798	2,925	89,149
11,592	1,959	8,146	30,560	4,158	114,343
4,228	1,108	3,238	15,929	4,978	46,052
(81)	(313)	(3,925)	(15)	(18,352)	(35,232)
1,818	912	3,792	12,903	9,187	62,314
-	-	2	1	-	4
596	201	634	1,330	7,702	15,258
23	2	16	130	129	357
7	48	60	697	(10)	1,470
6,591	1,958	3,817	30,975	3,634	90,223
5,001	1	4,329	(415)	524	24,120
-	-	-	15,515	-	15,515
52	24	18	257	359	1,225
(28)	(4)	(21)	(225)	(220)	(566)
(4,187)	(804)	(4,266)	(16,669)	(2,598)	(43,357)
\$ 838	\$ (783)	\$ 60	\$ (1,537)	\$ (1,935)	\$ (3,063)

UNIVERSITY OF VIRGINIA
STATE STUDENT LOAN SCHEDULE
For the Year Ended June 30, 2004

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, 2004, 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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