

VIRGINIA STATE UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2010**



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Walter J. Kucharski, Auditor

Commonwealth of Virginia

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

December 29, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
And Review Commission

Keith T. Miller
President, Virginia State University

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

We have performed the procedures enumerated below, which were agreed to by the President of **Virginia State University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Division II Constitution 6.2.3.1, for the year ended June 30, 2010. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. 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.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics Programs, which were not reviewed in connection with our audits of the University's financial statements.
2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. 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.
3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2010, 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 Intercollegiate 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.

8. 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.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. Intercollegiate Athletics Department management provided us with cash transmittal forms for ticket sales and accounting records for requested games. We reviewed these items and found such documentation to be accurate and in agreement.
11. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be materially in agreement.
12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency, or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. 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 Virginia State University Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We found that revenue was properly computed and deposited promptly and intact.

16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
17. We obtained an understanding of the University's methodology for recording revenues from sport camps. We inspected sport camp participants' cash receipts and found that amounts were deposited promptly and intact.
18. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation and properly recorded in the accounting records.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
20. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
21. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. This amount was deemed to be immaterial for detailed testing.
22. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
23. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
24. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.

25. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Virginia State University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Virginia State University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University 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/clj

SCHEDULE

VIRGINIA STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2010

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating revenues:						
Ticket sales	\$ 70,991	\$ 47,824	\$ -	\$ 3,165	\$ 111,324	\$ 233,304
Student fees	-	-	-	-	4,370,381	4,370,381
Game guarantees	-	5,000	-	-	-	5,000
Contributions	-	-	-	-	45,485	45,485
Program sales, concessions, novelty sales, and parking	-	-	-	-	25,713	25,713
Sports camps	-	-	-	-	19,790	19,790
Endowment and investment income	-	-	-	-	30,543	30,543
Royalties, advertisements and sponsorships	-	-	-	-	41,350	41,350
Other	-	3,592	7,572	2,720	1,396	15,280
Total operating revenues	70,991	56,416	7,572	5,885	4,645,982	4,786,846
Operating expenses:						
Athletics student aid	285,950	102,371	114,422	436,300	28,448	967,491
Game guarantees	6,000	5,000	-	-	-	11,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	279,078	155,242	121,141	136,737	-	692,198
Support staff and administrative salaries, benefits, and bonuses paid by the University and related entities	-	-	-	-	424,156	424,156
Recruiting	4,259	4,490	3,327	842	-	12,918
Team travel	36,204	51,703	58,884	125,887	-	272,678
Equipment, uniforms, and supplies	41,485	11,258	17,377	72,207	-	142,327
Sports camps	-	-	-	-	9,610	9,610
Direct facilities, maintenance, and rentals	5,596	50	-	18,801	464,545	488,992
Medical expenses and medical insurance	2,500	-	-	-	3,163	5,663
Membership and dues	240	500	910	1,925	47,129	50,704
Other	89,891	46,379	41,939	114,984	540,155	833,348
Total operating expenses	751,203	376,993	358,000	907,683	1,517,206	3,911,085
Excess (deficiency) of revenues over (under) expenses	\$ (680,212)	\$ (320,577)	\$ (350,428)	\$ (901,798)	\$ 3,128,776	\$ 875,761

Other sports includes Women's Volleyball, Men's Track, Women's Track, Baseball, Cheerleading,
Men's Tennis, Women's Tennis, Softball, Golf, and Women's Bowling.

The accompanying notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics
Programs are an integral part of this schedule.

VIRGINIA STATE UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses for the University's Intercollegiate Athletics Department has been prepared on the cash basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the Intercollegiate Athletics Programs of the University for the year ended June 30, 2010. The Schedule includes both those revenues and expenses for Intercollegiate Athletics programs under the direct accounting control of the University and those on behalf of the University's Intercollegiate Athletics programs by outside organizations not under the University's accounting control. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present the financial position, changes in financial position or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "non-program specific".

2. CONTRIBUTIONS

The Schedule includes contributions of the Virginia State University Foundation made on behalf of the intercollegiate athletics programs. This Foundation was organized for fund-raising activities that support the welfare, efficiency and general objectives of the University. The Foundation's support of Virginia State University intercollegiate athletics totaled \$45,485 for the year ended June 30, 2010.

3. ENDOWMENT FUNDS

During fiscal year 1998, the University established a quasi-endowment fund for athletics scholarships and certain other expenditures to support the athletics program. The University has made deposits into the quasi-endowment fund using a portion of guarantees received for participation in specific sporting events. As of June 30, 2010, earnings on the \$109,000 endowment since its inception total \$27,630. The University has another endowment to support intercollegiate athletics in the amount of \$24,775; earnings on this endowment since its inception total \$704.

4. CAPITAL ASSETS

Capital assets consisting of land, buildings, equipment, infrastructure assets, improvements other than buildings, inexhaustible works of art, and construction-in-progress are stated at historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at fair value on the date of acquisition. Library materials are valued using purchase price for library acquisitions. Equipment is capitalized when the acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. Expenses for construction-in-progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for this purpose. For the year ended June 30, 2010, interest expenses exceeds interest earned by \$507,210. Infrastructure assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Buildings	40-50 years
Infrastructure assets	15-20 years
Equipment	2-10 years
Banner administrative systems	5 years
Library books	5 years
Other improvements	20 years

A summary of athletics related capital assets for the year ending June 30, 2010 is presented as follows:

Depreciable capital assets:

Building and building improvement	\$ 241,828
Infrastructure	1,930,075
Equipment	<u>438,819</u>
Total depreciable capital assets	<u>2,610,722</u>

Less accumulated depreciation:

Building and building improvement	92,736
Infrastructure	445,212
Equipment	<u>136,475</u>
Total accumulated depreciation	<u>674,423</u>
Total capital assets, net	<u>\$1,936,299</u>

5. LONG-TERM DEBT

For debt related to the Intercollegiate Athletics Department, the University has issued revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged general revenues include appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. In 2001 and 2004, the University participated in the Virginia College Building Authority (VCBA) through the Pooled Bond Program to fund Rogers Stadium construction. In 2007, a portion of the 2002A bonds were refinanced for interest savings at a net present value of \$104,069. The outstanding balance for the notes payable as of June 30, 2010 directly related to Rogers Stadium is \$7,093,700.

<u>Description</u>	<u>Maturity</u>	<u>Balance at June 30, 2010</u>
VSU Pooled Bonds-Rogers Stadium Series 2002A	2023	\$2,425,000
VSU Pooled Bonds-Rogers Stadium Series 2005A	2026	2,210,000
VSU Pooled Bonds-Rogers Stadium 2002A Refinanced Portion, Series 2007B	2020	2,185,000
Add unamortized premiums (net of discounts)		<u>273,970</u>
Total		<u>\$7,093,970</u>

Long-term debt matures as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 360,000	\$ 317,556	\$ 677,556
2012	375,000	299,281	674,281
2013	395,000	280,131	675,131
2014	420,000	259,513	679,513
2015 – 2018	2,370,000	991,850	3,361,850
2019 – 2023	2,520,000	376,856	2,896,856
2024 – 2026	380,000	17,422	397,422
Add unamortized premiums (net of discounts):	<u>273,970</u>	<u>-</u>	<u>273,970</u>
Total	<u>\$7,093,970</u>	<u>\$2,542,609</u>	<u>\$9,636,579</u>

6. OTHER EXPENSES

The Commonwealth's Appropriation Act requires that educational and general programs recover indirect costs of auxiliary enterprise programs. Therefore, the University assesses each auxiliary enterprise an "agency service charge" to recover administrative costs. In fiscal year 2010, this charge to the Intercollegiate Athletics Department totaled \$465,330 and is included in other operating expenses. Plant fund expenditures are not reflected in the accompanying schedules.

VIRGINIA STATE UNIVERSITY
Petersburg, Virginia

BOARD OF VISITORS
As of June 30, 2010

Earnest J. Edwards, Rector

Brigadier General Alfred J. Cade (retired), Vice Rector

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James H. Starkey	Maureen Denlea Massey
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Ben U. Nwoke (Faculty Representative)
Cassandra Campbell (Student Representative)

UNIVERSITY OFFICIALS
As of December 29, 2010

Dr. Keith T. Miller
President

Dr. W. Weldon Hill
Provost and Vice President of Academic Affairs

David J. Meadows
Vice President for Administration and Finance

Dr. Robert L. Turner, Jr.
Vice President for Development and University Relations

Peggy Davis
Athletic Director