

- TABLE OF CONTENTS -

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

Report on Application of Agreed-Upon Procedures

SCHEDULE:

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs

Notes to Schedule of Revenues and Expenditures of Intercollegiate
Athletic Programs

UNIVERSITY OFFICIALS

March 12, 1999

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission

Dr. Marie V. 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, 1998, and have issued our unqualified report thereon dated March 12, 1999. At the request of the President of the University, we applied certain agreed-upon procedures, as discussed below, to Norfolk State University Athletic Programs for the year ended June 30, 1998, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This review to apply agreed-upon procedures was performed in accordance with 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. Our procedures and findings are as follows:

Schedule of Revenues and Expenditures of Intercollegiate
Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (the Schedule) for the year ended June 30, 1998, 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 Athletic Department's accounts in the University's accounting records. We noted no differences between the amounts in the Athletic Department's accounts in the accounting records and the amounts on the worksheets.

- b. We applied certain analytical review techniques to the revenues and expenditures of the intercollegiate athletic programs in order to determine the reasonableness of amounts reported in the Schedule. These techniques included tests using operating data and reviews of actual amounts received and expended in comparison to budgeted amounts and prior year amounts.
- c. We reviewed the accounting records to identify significant contributions from any outside organizations, group, foundation, or individual. The majority of all gifts and contributions are received through the Athletic Foundation of Norfolk State University, Inc. We noted no other individual contributions received directly by the intercollegiate athletic programs, which constituted more than 10 percent of all 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 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 the Schedule should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletic Department of Norfolk State University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and matters 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 Structure Policies and Procedures Related to
Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Norfolk State University is responsible for establishing and maintaining an internal control structure for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control structure 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 structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate. Our procedures and findings with respect to the internal control structure of the University’s Intercollegiate Athletic Programs are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletic 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 the internal control structure over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control structure over Intercollegiate Athletic Programs to the internal control structure reviewed in connection with the audit of the University's financial statements. Our review also included those internal control structure policies and procedures unique to Intercollegiate Athletics Programs which have not been reviewed in connection with the audit of the University's financial statements.

- f. We reviewed the University's procedures for monitoring activities of the Norfolk State University Athletic Foundation. The President of the University and the Athletic Director are ex-officio members of the Foundation's Board. Also, the Athletic Foundation is audited annually by an independent certified public accountant. The Intercollegiate Athletics Department receives a copy of the resulting report. It should be noted that booster groups make no payments for or on behalf of the Intercollegiate Athletics Department.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control structure were more limited than would be necessary to express an opinion on the internal control structure of Norfolk State University in effect for the year ended June 30, 1998, 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 the internal control structure over the Intercollegiate Athletic Program activities administered by the University.

This report is intended solely for the use of the University and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

GML:aom
aom:38

NORFOLK STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 1998

	Administrative and General	Football	Men's Basketball	Women's Basketball	Other Sports*	Total
Operating revenues:						
Student activity fees	\$ 2,819,760	\$ -	\$ -	\$ -	\$ -	\$ 2,819,760
Ticket sales	-	367,527	49,057	296	9,197	426,077
Program sales	-	-	69	-	-	69
Concessions	-	7,573	250	-	-	7,823
Facilities rentals	34,500	-	-	-	-	34,500
Game guarantees	12,773	-	137,322	15,300	7,427	172,822
Other income	52,984	24,593	2,962	2,749	8,486	91,774
Total operating revenues	2,920,017	399,693	189,660	18,345	25,110	3,552,825
Operating expenditures:						
Salaries and fringe benefits	282,056	215,474	141,037	3,230	31,448	673,245
Travel	54,386	80,963	71,909	60,451	198,548	466,257
Financial aid	8,901	522,169	87,080	75,495	615,000	1,308,645
Maintenance and general	264,271	33,435	35,854	19,133	40,756	393,449
Equipment purchases	17,467	13,501	-	-	113	31,081
Publicity	-	-	580	-	-	580
Insurance	64,000	-	-	-	-	64,000
Telephone	35,417	3,804	3,784	-	5,726	48,731
Auxiliary administration	63,632	76,143	29,801	13,866	78,093	261,535
Total operating expenditures	790,130	945,489	370,045	172,175	969,684	3,247,523
Excess (deficiency) revenues over expenditures	\$ 2,129,887	\$ (545,796)	\$ (180,385)	\$ (153,830)	\$ (944,574)	\$ 305,302

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

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 SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 1998

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current fund revenues and expenditures of the Intercollegiate Athletic Programs of the University for the year ended June 30, 1998. 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 fund balances, or current funds revenues and other additions, expenditures, transfers and other deductions for the year then ended. Revenues and expenditures are directly identifiable with each category presented and are reported accordingly.

NOTE 2 – 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.

NOTE 3 - 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, 1998, the overhead rate charged to Athletics and other auxiliary enterprises was 16.39 percent.

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Norfolk, Virginia

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