

**LONGWOOD UNIVERSITY  
FARMVILLE, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2003**

---

---

***APA***

---

---

**Auditor of  
Public Accounts**  
**COMMONWEALTH OF VIRGINIA**

## AUDIT SUMMARY

Our audit of Longwood University for the year ended June 30, 2003, 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 that are required to be reported under Government Auditing Standards.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
INDEPENDENT AUDITOR'S REPORT	
Report on Financial Statements	1-2
Report on Compliance and on Internal Control over Financial Reporting	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
FINANCIAL STATEMENTS:	
Statement of Net Assets	10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12-13
Notes to Financial Statements	16-30
SUPPLEMENTARY INFORMATION:	
Schedule of Auxiliary Enterprises - Revenues and Expenditures	32-33
UNIVERSITY OFFICIALS	35



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

May 10, 2004

The Honorable Mark R. Warner  
Governor of Virginia

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

Board of Visitors  
Longwood College

We have audited the accounts and records of **Longwood University**, as of and for the year ended June 30, 2003, and submit herewith our complete reports on financial statements and compliance and internal control over financial reporting.

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of Longwood University, a component unit of the Commonwealth of Virginia, as of and for the year then ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Longwood University as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages four through seven is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Longwood University. The Schedule of Auxiliary Enterprises Revenues and Expenditures is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Auxiliary Enterprises Revenues and Expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

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

In planning and performing our audit of the financial statements of Longwood University as of and for the year ended June 30, 2003, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants 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.

#### Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

#### 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 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 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.

The "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting" is intended solely for the information and use of the Governor and General Assembly of Virginia, Board of Visitors, and management, 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.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on June 1, 2004.

AUDITOR OF PUBLIC ACCOUNTS

SAH:whb  
whb:59

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Longwood University's Management Discussion and Analysis (MD&A) provides a discussion and analysis of the financial performance during the fiscal year ended June 30, 2003, with comparative information presented for the fiscal year ended June 30, 2002. While maintaining its financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research, and public service. Therefore, net assets are accumulated only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs.

This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

### Using the Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information for the University as a whole and present a long-term view of the University's finances.

### Statement of Net Assets

The Statement of Net Assets presents the University's assets, liabilities, and net assets as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a fiscal snapshot at June 30, 2003. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net assets are divided into three major categories. The first category, "Invested in capital assets, Net of debt," provides the University's equity in property, plant, and equipment owned by the institution. The next category is "Restricted net assets." Expendable restricted resources are available for expenditure by the institution, but must be spent for purposes as determined by donors and/or other entities that have placed time or purpose restrictions on the use of the assets. Unrestricted net assets are available to the University for any lawful purpose of the institution.

<u>Statement of Net Assets</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Assets:		
Current assets	\$ 17,777,030	\$ 11,856,844
Non-depreciable Capital assets, Net	19,590,886	10,964,612
Depreciable Capital assets, Net	52,831,781	51,887,609
Other noncurrent assets	<u>10,039,712</u>	<u>9,118,343</u>
 Total assets	 <u>\$ 100,239,409</u>	 <u>\$ 83,827,408</u>

Liabilities:		
Current liabilities	\$ 10,151,351	\$ 8,171,910
Noncurrent liabilities	<u>20,316,706</u>	<u>16,927,373</u>
Total liabilities	<u>\$ 30,468,057</u>	<u>\$ 25,099,283</u>
Net assets:		
Invested in capital assets, Net of related debt	\$ 52,341,466	\$ 46,191,365
Restricted - Expendable	11,270,319	9,045,699
Unrestricted	<u>6,159,567</u>	<u>3,491,061</u>
Total net assets	<u>\$ 69,771,352</u>	<u>\$ 58,728,125</u>

The University's total assets increased by \$16,412,001 between fiscal years, due in part to the increase in auxiliary cash with the Treasurer of Virginia and held locally in the amount of \$2,214,773. In addition, cash equivalents increased by \$4,547,232. The cash equivalents represent bond funds for the new parking facility and fitness center, which are held by the Bank of New York and invested in the State Non-Arbitrage Program. Finally, construction in progress capital assets increased \$8,626,274 between fiscal years as a result of the current capital projects including the Grainger Reconstruction, the Parking Facility, Brock Commons, the New Science Building, and the Ruffner Reconstruction. Total liabilities increased by \$5,368,774. The primary cause was the addition of the notes payable in the amount of \$5,205,000 for the Parking Facility and the Fitness Center.

#### Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity as presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the University's operating and nonoperating revenues recognized and expenses incurred and any other revenues, expenses, gains, and losses.

Generally speaking, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

### Statement of Revenues, Expenses, and Changes in Net Assets

	For the Year Ended	
	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Operating revenues	\$ 40,167,067	\$ 38,390,736
Operating expenses	<u>55,109,659</u>	<u>53,902,726</u>
Operating loss	(14,942,592)	(15,511,990)
Nonoperating revenues and expenses	<u>23,548,739</u>	<u>20,355,486</u>
Income before other revenues, expenses, gains, or losses	8,606,147	4,843,496
Other revenues, expenses, gains, or losses	<u>2,437,080</u>	<u>949,517</u>
Increase in net assets	11,043,227	5,793,013
Net assets - beginning of year	<u>58,728,125</u>	<u>52,935,112</u>
Net assets - end of year	<u>\$ 69,771,352</u>	<u>\$ 58,728,125</u>

Operating revenues primarily include tuition and fees and auxiliary enterprises. Tuition and fees revenue increased due to increased enrollment. Operating expense increased primarily due to the increased depreciation expense. Nonoperating revenue increases are attributable to the insurance funds received to rebuild the buildings destroyed by the fire of April 2001. Other revenues and gains include capital appropriations in 2003 for maintenance reserve for repairs to Educational and General Buildings and 21<sup>st</sup> Century Bond Proceeds. Other revenues and gains also include capital grants and gifts which include funds received from the Longwood Foundation for the construction of Brock Commons as well as capital projects funded by auxiliary reserve funds. The majority of the increase in net assets represents an increase in capital construction and capital appropriations.

### Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the institution's cash activity during the year. Operating cash flows shows the net cash used by the operating activities of the University. Significant sources of cash include student tuition and fees of \$12,284,164, auxiliary enterprise's receipts of \$24,750,116, and grants and contracts of \$4,636,322. Major uses of cash include payments for salaries, wages, and fringe benefits of \$31,538,204, and payments for services and supplies of \$13,466,843.

The next section reflects the cash flows from noncapital financing activities and includes state appropriations for the University's educational and general programs and financial aid of \$19,397,624. The cash flows from the capital financing activities section deals with cash used for the acquisition and construction of capital and related items. Primary sources of cash include insurance funds received of \$4,617,199, the conversion of noncash assets (appropriations available and investments with the State Treasurer) into cash of \$216,839, capital appropriations of \$2,095,714, and capital grants of \$1,175,590. Significant cash outflows include the purchase of capital assets of \$12,816,631, fire recovery expenses of \$275,219, and the repayment of principal and interest on capital related debt. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

### Condensed Statement of Cash Flows

	For the Year Ended	
	<u>2003</u>	<u>2002</u>
Cash provided (used):		
Operating activities	\$ (10,963,193)	\$ (14,152,849)
Noncapital financing activities	19,427,852	21,291,221
Capital financing activities	(2,039,797)	(6,063,719)
Investing activities	<u>39,989</u>	<u>-</u>
Net increase in cash and cash equivalents	6,464,851	1,074,653
Cash and cash equivalents, beginning of year	<u>18,226,803</u>	<u>9,079,914</u>
Cash and cash equivalents, end of year	<u>\$ 24,691,654</u>	<u>\$ 10,154,567</u>

### Capital Asset and Debt Administration

Overall, invested in capital asset increases reflect the beginning of substantial campus construction. Significant fiscal year 2003 capital projects include the reconstruction of Grainger, which is funded by insurance funds and university funds, the planning and initial steps needed to reconstruct Ruffner, which is funded by insurance funds and state appropriations; the construction of Brock Commons, which turns the University's central street (Pine Street) into a landscaped pedestrian mall and is funded by private donations; the construction of a parking garage beneath a portion of Brock Commons, which will be funded by bonds; and the planning for a Fitness Center and New Science Building.

### Economic Outlook

As one of Virginia's comprehensive higher education institutions, Longwood is heavily dependent upon ongoing financial and political support from State government. Thus, the University's economic outlook is closely tied to that of the Commonwealth. As a result of declining State revenue collections, agencies suffered operating budget reductions in fiscal year 2003 general fund appropriations. Longwood's cut in 2003 totaled \$3,257,642, with an additional reduction of \$1,014,097 in 2004. Tuition increases were authorized by the State legislature and approved by our governing board in an effort to mitigate the effects of decreased general fund support. In spite of these cuts, Longwood has maintained its academic programs in an effort to fulfill its educational mission.

The State's outlook assumes a modest and gradual economic recovery during 2004. Additionally, a \$1.0 billion bond package was passed to support capital improvements on college and university campuses as well as Virginia museums and parks. Two of Longwood's capital projects will be funded through that package.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Since 1997, Longwood University's Strategic Plan has called for intentional and planned growth in student enrollment. As a result, our total headcount enrollment increased from 3,352 in 1997-1998 to 4,178 in 2002-2003. We are projecting an enrollment growth to 4,675 by fiscal year 2008. The Fall 2002 entering freshmen class was also the most competitive, with a grade-point average of 3.2 and an SAT average of 1080, reflecting a significant increase in the freshmen academic profile over the last five years.

## **FINANCIAL STATEMENTS**

LONGWOOD UNIVERSITY  
STATEMENT OF NET ASSETS  
As of June 30, 2003

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 15,964,379
Short-term investments (Note 3)	675,966
Accounts receivable, Net of allowance for doubtful accounts of \$788 (Note 4)	286,414
Due from the Commonwealth (Note 8)	320,876
Prepaid expenses	<u>529,395</u>
Total current assets	<u>17,777,030</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 3)	8,727,275
Notes receivable, Net of allowance for doubtful accounts of \$60,212	1,312,437
Non-depreciable capital assets, Net (Note 5)	19,590,886
Depreciable capital assets, Net (Note 5)	<u>52,831,781</u>
Total noncurrent assets	<u>82,462,379</u>
Total assets	<u>100,239,409</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses (Note 6)	4,834,783
Deferred revenue	1,652,603
Obligations under securities lending	675,966
Deposits held in custody for others	670,408
Long-term liabilities - current portion net of contra account \$17,530 (Note 7)	2,282,591
Advance from the Treasurer of Virginia	<u>35,000</u>
Total current liabilities	10,151,351
Noncurrent liabilities - net of contra account \$68,186 (Note 7)	<u>20,316,706</u>
Total liabilities	<u>30,468,057</u>
<u>NET ASSETS</u>	
Invested in capital assets, Net of related debt	52,341,466
Restricted for:	
Expendable:	
Loans	148,067
Capital projects	10,349,709
Other	772,543
Unrestricted	<u>6,159,567</u>
Total net assets	<u>\$ 69,771,352</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

LONGWOOD UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2003

Operating revenues:	
Student tuition and fees, Net of scholarship allowances of \$1,053,594	\$ 10,932,700
Federal grants and contracts	3,272,186
State grants and contracts	825,450
Nongovernmental grants and contracts	2,272,737
Auxiliary enterprises, Net of scholarship allowances of \$1,811,758	22,579,508
Other operating revenues	<u>284,486</u>
 Total operating revenues	 <u>40,167,067</u>
Operating expenses (Note 13)	
Instruction	14,965,170
Research	20,575
Public service	1,600,678
Academic support	4,159,883
Student services	1,797,542
Institutional support	4,766,712
Operation and maintenance - Plant	3,366,354
Depreciation	4,242,481
Student aid	3,261,995
Auxiliary activities	16,890,445
Other expenditures	<u>37,824</u>
 Total operating expenses	 <u>55,109,659</u>
 Operating gain (loss)	 <u>(14,942,592)</u>
Nonoperating revenues (expenses):	
State appropriations (Note 12)	19,397,624
Other	353,890
Insurance proceeds	4,617,199
Investment revenue	57,356
Fire related expenses	(147,348)
Debt service interest	(646,199)
Capital expense	(33,380)
Loss on disposal of plant assets	<u>(50,403)</u>
 Net nonoperating revenues	 <u>23,548,739</u>
 Income before other revenues, expenses, gains or losses	 <u>8,606,147</u>
 Capital appropriations	 1,261,490
Capital grants and gifts	<u>1,175,590</u>
 Net other revenues	 <u>2,437,080</u>
 Increase in net assets	 11,043,227
 Net assets - Beginning of year	 <u>58,728,125</u>
 Net assets - End of year	 <u>\$ 69,771,352</u>

The accompanying notes to financial statements are an integral part of this statement.

LONGWOOD UNIVERSITY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2003

Cash flows from operating activities:	
Student tuition and fees	\$ 12,284,164
Grants and contracts	4,636,322
Auxiliary enterprises	24,750,116
Other receipts	243,130
Payments to employees	(25,433,675)
Payments for fringe benefits	(6,104,529)
Payments for services and supplies	(13,466,843)
Payments for utilities	(1,150,842)
Payments for scholarships and fellowships	(5,710,997)
Payments for noncapitalized plant improvements and equipment	(1,000,210)
Loans issued to students	(266,716)
Collections of loans from students	256,887
	<hr/>
Net cash provided (used) by operating activities	(10,963,193)
Cash flows from noncapital financing activities:	
State appropriations	19,397,624
Other non-operating	(11,287)
Agency receipts	13,255,435
Agency payments	(13,213,920)
	<hr/>
Net cash provided (used) by noncapital financing activities	19,427,852
Cash flows from capital financing activities:	
Proceeds from capital appropriations available and investments	216,839
Capital appropriations	2,095,714
Capital grants	1,175,590
Insurance proceeds	4,617,199
Proceeds from capital debt	5,474,455
Acquisition and construction of capital assets	(12,816,631)
Fire recovery expenses	(275,219)
Principal paid on capital debt, leases, and installments	(1,773,650)
Interest paid on capital debt, leases, and installments	(754,094)
	<hr/>
Net cash provided (used) by capital financing activities	(2,039,797)
Cash flows from investing activities:	
Interest on investments	39,989
	<hr/>
Net cash provided (used) by investing activities	39,989
Net increase in cash	6,464,851
Cash and cash equivalents - Beginning of the year	18,226,803
	<hr/>
Cash and cash equivalents - End of the year	<u>\$ 24,691,654</u>

The accompanying notes to financial statements are an integral part of this statement.

LONGWOOD UNIVERSITY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2003

---

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:	
Operating gain (loss)	\$ (14,942,592)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	4,242,481
Changes in assets and liabilities:	
Receivables, net	175,938
Due from the Commonwealth	(21,759)
Prepaid expenses	(262,216)
Notes receivable, net	(78,884)
Accounts payable and accrued expenses	(134,733)
Deferred revenue	76,762
Accrued compensated absences	(63,769)
Federal loan programs contributions refundable	45,579
	<hr/>
Net cash provided (used) by operating activities:	<u>\$ (10,963,193)</u>

The accompanying notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

LONGWOOD UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Longwood University (the “University”) is a state-assisted, coeducational, comprehensive University offering programs leading to the bachelor’s and master’s degrees. Longwood offers courses both on the main campus and at educational sites in other locations. The University is oriented to liberal arts and to professional and pre-professional programs.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The University has no component units, as defined by the Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*; however, the University does have a related party corporation whose financial condition is stated in Note 2. This organization is a separate legal entity from Longwood University and the University exercises no control over them. For these reasons, the University’s related party is not included in these financial statements.

B. Basis of Presentation

The University’s accounting policies conform with generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements that conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public College and Universities*.

C. Basis of Accounting

The University’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

D. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Assets.

E. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of two years. Library materials are valued using actual cost for acquisitions and published average prices for disposals. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	50 years
Other improvements and infrastructure	20 years
Equipment	5-15 years
Library materials	10 years

F. Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other noncurrent assets are classified as noncurrent assets in the Statement of Net Assets.

G. Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the period after June 30, 2003.

H. Accrued Compensated Absences

The amount of leave earned, but not taken by classified salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, all unused vacation leave, overtime leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay-out policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

I. Federal Financial Assistance Programs

The University participates in federally-funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management, and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Compliance Supplement.

J. Net Assets

GASB Statement 34 requires that the Statement of Net Assets report the difference between assets and liabilities as net assets, not fund balances. Net assets are classified as Invested in capital assets, net of related debt; Restricted; and Unrestricted. "Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net assets are reported as "restricted" when constraints on the net asset use are either externally imposed by creditors, grantors, or contributors or imposed by law. Unrestricted net assets consist of net assets that do not meet the definitions above.

Resources restricted by outside sources are distinguished from unrestricted resources allocated for specific purposes by action of the Board of Visitors. Externally restricted resources may be utilized only in accordance with the purposes established by the source of such resources and are in contrast with unrestricted resources, of which the governing board retains full control to use in achieving the institutional purpose.

The University's restricted net assets are expendable. Expendable restricted net assets are resources, which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets are resources derived primarily from state appropriations, sales, and services of educational departments, student tuition and fees, and auxiliary enterprises. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is first to apply the expense toward restricted resources, and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

K. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) federal, state, and nongovernmental grants and contracts.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, and other revenue sources that are defined as nonoperating revenues by GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement 34, such as state appropriations and investment and interest income.

Nonoperating expenses include interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

L. Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statements of Revenue, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

M. Long-Term Liabilities

Bond premiums, as well as, issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported include unamortized bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amortization of bond premiums and issuance costs are reported as debt service expenditures. The debt as shown in the Statement of Net Assets is divided between the current and non-current liabilities (see Note 7). The Statement of Revenues, Expenses, and Changes in Net Assets shows the interest expense. It is recognized as a non-operating expense when paid.

2. AFFILIATED ORGANIZATION

The financial statements do not include the assets, liabilities, and net assets of the Longwood University Foundation, Inc. The Foundation was organized for fund-raising activities that benefit the University or specific departments. The Foundation is a separately incorporated entity and the related financial statements are examined by other auditors. The following condensed summary is based solely upon the reports of other auditors at and for the year ended June 30, 2003:

Assets	<u>\$ 37,139,274</u>
Liabilities and net assets:	
Liabilities	\$1,033,805
Net assets	<u>36,105,469</u>
 Total liabilities and net assets	 <u>\$ 37,139,274</u>

The revenues and expenditures of the Foundation for fiscal year 2003 were \$4,318,569 and \$2,863,184 respectively.

The Longwood University Foundation, Inc. receives gifts and expends funds for the benefit of Longwood University. The revenues and expenditures of the University include funds expended by the Foundation and paid directly to the University of approximately \$1,758,170 for the year ended June 30, 2003.

### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the credit risk associated with the University's cash and cash equivalents and investments at June 30, 2003.

#### A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia (1950) as amended, all state funds of the University are held by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 of the Code of Virginia. In accordance with the GASB Statement 9 definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, and cash deposits including certificates of deposit and temporary investments with original maturities of three months or less.

At June 30, 2003, the carrying amount of cash with the Treasurer was \$18,674,156, which includes appropriations available of \$8,692,275. At June 30, 2003, the carrying amount of cash with local banks was \$710,322, and the bank balance of cash was \$780,931. The University also maintained \$20,000 in American Express Travelers Cheques and \$35,000 in petty cash. The University's cash and cash equivalents include \$576,403 in overnight Repurchase Agreements that are fully backed by the U.S. Government and Agency Securities and classified as a Category 1 credit risk.

The University invested bond proceeds in the State Non-Arbitrage Program (SNAP) and the Local Government Investment Pool (LGIP). These proceeds held by the Treasurer of Virginia are invested in money market funds and do not need to be categorized as to risk. At June 30, 2003, the carrying amount of the cash equivalent was \$4,675,773, which was held in the SNAP program.

B. Securities Lending Transactions

Collateral held for securities lending and the securities lending transactions in the amount of \$675,966 reported on the financial statements represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2003:

Student tuition and fees	\$ 78,804
Library	15,660
Auxiliary enterprises	20,201
Federal, state, and nongovernmental grants and contracts	<u>172,537</u>
Total	287,202
Less: Allowance for doubtful accounts	<u>788</u>
Net accounts receivable	<u>\$ 286,414</u>

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2003, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	\$ 4,378,526	\$ -	\$ -	\$ 4,378,526
Construction in progress	<u>6,586,086</u>	<u>11,413,984</u>	<u>2,787,710</u>	<u>15,212,360</u>
Total nondepreciable capital assets	<u>10,964,612</u>	<u>11,413,984</u>	<u>2,787,710</u>	<u>19,590,886</u>
Depreciable capital assets:				
Buildings	76,418,115	3,208,129	-	79,626,244
Equipment	14,105,309	1,134,973	496,521	14,743,761
Other improvements	1,550,062	333,954	-	1,884,016
Library materials	<u>11,660,743</u>	<u>560,000</u>	<u>68,704</u>	<u>12,152,039</u>
Total depreciable capital assets	<u>103,734,229</u>	<u>5,237,056</u>	<u>565,225</u>	<u>108,406,060</u>

Less accumulated depreciation for:				
Buildings	33,184,576	2,597,892	-	35,782,468
Equipment	9,824,070	878,827	446,118	10,256,779
Other improvements	540,476	182,197	-	722,673
Library materials	<u>8,297,498</u>	<u>583,565</u>	<u>68,704</u>	<u>8,812,359</u>
Total accumulated depreciation	<u>51,846,620</u>	<u>4,242,481</u>	<u>514,822</u>	<u>55,574,279</u>
Depreciable capital assets, Net	<u>51,887,609</u>	<u>994,575</u>	<u>50,403</u>	<u>52,831,781</u>
Total capital assets, Net	<u>\$ 62,852,221</u>	<u>\$ 12,408,559</u>	<u>\$ 2,838,113</u>	<u>\$72,422,667</u>

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2003:

Employee salaries, wages, and fringe benefits payable	\$ 1,731,715
Vendors and suppliers accounts payable	2,698,263
Retainage payable	353,604
Interest payable	<u>51,201</u>
Total – accounts payable and accrued liabilities	<u>\$ 4,834,783</u>

7. NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8), and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2003, is presented as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>
Long-term debt:					
General obligation bonds	\$13,795,773	\$ 124,692	\$1,099,830	\$ 12,820,635	\$1,137,826
Deferred loss - bonds	-	(85,716)	-	(85,716)	(17,530)
Notes payable	1,028,938	5,205,000	-	6,233,938	135,000
Installment purchases	1,391,746	-	663,182	728,564	328,315
Capital leases	<u>60,619</u>	<u>-</u>	<u>60,619</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>16,277,076</u>	<u>5,243,976</u>	<u>1,823,631</u>	<u>19,697,421</u>	<u>1,583,611</u>

Accrued compensated absences	1,363,979	-	63,769	1,300,210	511,405
Federal loan program contribution	1,247,207	45,579	-	1,292,786	-
Retainage payable	-	121,305	-	121,305	-
Accrued interest payable	<u>346,927</u>	<u>-</u>	<u>159,352</u>	<u>187,575</u>	<u>187,575</u>
Total long-term liabilities	<u>\$19,235,189</u>	<u>\$ 6,032,108</u>	<u>\$ 2,046,752</u>	<u>\$ 22,599,297</u>	<u>\$ 2,282,591</u>

## 8. LONG-TERM INDEBTEDNESS

Longwood University bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. All bonds of the University are Section 9(c) bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

Bonds payable at June 30, 2003 consist of the following:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Amount</u>
General Obligation Revenue Bonds:			
Dormitory:			
Air Conditioning Repairs, Series 1989-A	6.67%	2004	\$ 12,681
Housing Repairs, Series 1989-A	6.67%	2004	37,540
Student Housing, Series 1998-R	4.50 – 5.00%	2012	2,842,836
Student Housing, Series 1999	4.40 – 5.58%	2019	2,410,000
Residence Hall Renovation 2003-R	2.50%	2004	69,841
Housing Repairs 2003-R	2.50 – 5.50%	2010	212,275
Dining Hall:			
Series 1996	4.75 – 5.65%	2016	1,320,000
Series 1999	4.40 – 5.58%	2019	2,580,000
Series 2002-R	4.00 – 5.00%	2016	2,985,956
Telecommunications:			
Series 1989-A	6.67%	2004	152,186
Parking Facility	6.67%	2004	<u>111,604</u>
Total bonds payable			<u>\$12,734,919</u>

A summary of future principal requirements of long-term debt as of June 30, 2003 follows:

<u>Year ending June 30,</u>	<u>Total</u>
2004	\$ 1,137,825
2005	766,524
2006	808,596
2007	861,260
2008	905,552

2009-2013	4,722,907
2014-2018	3,192,204
2019	<u>445,000</u>
Total principal requirements	12,839,868
Less deferred loss	(85,716)
Less discount	<u>(19,233)</u>
Total	<u>\$ 12,734,919</u>

#### Installment Purchase Agreements

The University is committed under various installment purchase agreements. Book value of equipment capitalized under installment purchase agreements from the Higher Education Equipment Trust Fund totals \$3,841,962. The Equipment Trust Fund (ETF) program was established to provide state-supported institutions of higher education bond proceeds for financing the acquisition and replacement of instructional and research equipment. The Virginia College Building Authority (VCBA) manages the program. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for equipment purchased. For fiscal years prior to 1999, the VCBA purchased the equipment and leased it to the University. For fiscal years 1999 and following, financing agreements for ETF were changed so that the University now owns the equipment from the date of purchase.

A summary of future obligations under installment purchase agreements as of June 30, 2003 follows:

Year ending <u>June 30,</u>	<u>Installment Purchase Agreements</u>
2004	\$ 361,406
2005	266,251
2006	139,210
2007	<u>26,637</u>
Total obligations and gross minimum payments	<u>793,504</u>
Less:	
Amount of interest	(64,940)
Present value of minimum payments	<u>\$ 728,564</u>

The Statement of Net Assets line "Due from the Commonwealth of Virginia" totaling \$320,876 at June 30, 2003, represents equipment purchased by the University that was not reimbursed by the VCBA at year-end.

## Note Payable

The University received an interest free treasury loan to cover construction expenses for the University's housing sprinkler project in the amount of \$1,028,938. The total principal is to be repaid by June 30, 2006 as a lump-sum payment. The University received a Virginia College Building Authority loan to cover construction expenses for the University Fitness Center and the University Parking Garage in the amount of \$5,205,000. Interest rates range from 3.00 – 5.25% with a maturity date of September 1, 2022.

A summary of future principal requirements of notes payable as of June 30, 2003 follows:

<u>Year ending June 30,</u>	<u>Total</u>
2004	\$ 135,000
2005	165,000
2006	1,203,938
2007	185,000
2008	190,000
2009-2013	1,110,000
2014-2018	1,415,000
2019-2023	<u>1,830,000</u>
Total principal requirements	<u>\$ 6,233,938</u>

## 9. COMMITMENTS

At June 30, 2003, the University was committed to construction contracts totaling approximately \$26,410,185 of which \$6,599,677 had been incurred.

The University is committed under various operating lease agreements primarily for buildings and equipment. In general, the agreements are for a period of one year, and typically have renewal options. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense for the fiscal year ended June 30, 2003, was \$1,180,776. The University has, as of June 30, 2003, the following total future minimum rental payments due under the above leases:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2004	\$ 894,085
2005	69,114
2006	<u>64,014</u>
Total	<u>\$ 1,027,213</u>

10. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses are distributed as shown in the following table for the year ended June 30, 2003. Additionally, the University used auxiliary revenues to pay debt service, capital improvements, and scholarships of \$1,907,050, \$887,830, and \$1,033,093, respectively. Those amounts are not included in the auxiliary operating expenses below.

Revenues:

Room contracts, Net of scholarship allowance of 674,028	\$ 7,230,293
Food service contracts, Net of scholarship allowance of 449,717	4,885,132
Athletic fee, Net of Scholarship allowance of 227,226	2,415,734
Other student fees and sales and service, Net of scholarship allowance of 460,787	<u>8,048,349</u>
Total auxiliary enterprises revenues	<u>\$ 22,579,508</u>

Expenses:

Residential facilities	\$ 5,062,233
Dining operations	4,179,450
Athletics	2,058,560
Other auxiliary services	<u>5,590,202</u>
Total auxiliary enterprises expenses	<u>\$ 16,890,445</u>

11. PRIOR YEAR DEFEASANCE OF DEBT

In October 2002, the Commonwealth of Virginia, on behalf of Longwood University, issued \$3,071,672 in General Obligation Refunding Bonds with a true interest cost (TIC) of 3.30 percent to advance refund \$2,975,000 of outstanding 1996 Higher Education Bonds with interest rates of 5.375 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. The debt defeasance resulted in an accounting loss of \$96,672. The defeasance will reduce total debt service payments by \$116,649 over the next 13 years, resulting in an economic gain of \$111,386, discounted at the TIC of 3.30 percent. As a result, these bonds refunded are considered defeased and are not reflected in the accompanying financial statements. At June 30, 2003, \$2,975,000 of the defeased bonds are outstanding.

In June 2003, the Commonwealth of Virginia, on behalf of Longwood University, issued \$282,117 in General Obligation Refunding Bonds with a true interest cost (TIC) of 2.705 percent to advance refund \$293,072 of outstanding 1993 Higher Education Bonds with interest rates of 4.90 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. The debt defeasance resulted in an accounting gain of \$10,956. The defeasance will reduce total debt service payments by \$14,603 over the next 7 years, resulting in an economic gain of \$13,200, discounted at the TIC of 2.705 percent. As a result, these bonds refunded are considered defeased and are not reflected in the accompanying financial statements. At June 30, 2003, \$293,072 of the defeased bonds are outstanding.

During fiscal year 1998, the Commonwealth defeased certain 1992 Series Higher Education Institution Bonds with 1998 Refunding Bonds. At June 30, 2003, \$2,785,000 of the defeased bonds are outstanding.

During fiscal year 1994, the Commonwealth defeased certain 1989 Series and 1990 Series Higher Education Institution Bonds with 1993B Series, Article X, Section 9(c) Refunding Bonds. At June 30, 2003, \$220,000 of the defeased bonds are outstanding.

12. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are no longer available to the University for disbursements.

During the year ended June 30, 2003, the following changes were made to the University's original appropriation, including supplemental appropriations received in accordance with the 2003 Virginia Acts of Assembly, Chapter 1042.

Original appropriation	
Educational and general programs	\$ 18,809,076
Student financial assistance	1,857,440
Higher education equipment trust fund program	13,518
Supplemental adjustments:	
Central Fund appropriation transfers:	
Bonus	430,662
Health insurance premium	335,654
VSDP Increase	29,769
Retirement plans, faculty salaries, auto liability premium, and other miscellaneous reversions to the Central Fund	(644,887)
Reversion to the General Fund	(23)
Planned carry forward	(50,000)
Reductions due to budget crisis	(1,350,539)
Eminent Scholars	8,261
Higher education equipment trust fund payment	(49,981)
VIVA funds	<u>8,674</u>
Adjusted appropriation	<u>\$ 19,397,624</u>

### 13. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Assets and by natural classification which is the basis for amounts shown in the Statement of Cash Flows.

	Salaries and Wages	Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	\$11,124,810	\$ 2,575,092	\$ 1,018,663	\$ -	\$ -	\$246,605	\$ -	\$14,965,170
Research	17,922	561	2,039	-	-	53	-	20,575
Public service	843,136	164,860	550,945	-	1,609	40,128	-	1,600,678
Academic support	2,493,427	570,480	926,928	-	59,511	109,537	-	4,159,883
Student services	1,084,734	251,039	450,885	-	-	10,884	-	1,797,542
Institutional support	2,868,780	1,009,025	804,088	-	-	84,819	-	4,766,712
Operation and Maintenance of plant	1,173,676	427,876	1,165,377	-	472,466	126,959	-	3,366,354
Depreciation	-	-	-	-	-	-	4,242,481	4,242,481
Scholarship and Related expenses	-	-	-	3,261,995	-	-	-	3,261,995
Auxiliary activities	5,992,240	1,131,819	8,865,419	-	617,257	283,710	-	16,890,445
Other expenses	-	-	37,824	-	-	-	-	37,824
<b>Total</b>	<u>\$25,598,725</u>	<u>\$6,130,752</u>	<u>\$13,822,168</u>	<u>\$ 3,261,995</u>	<u>\$1,150,843</u>	<u>\$902,695</u>	<u>\$4,242,481</u>	<u>\$55,109,659</u>

### 14. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

#### Virginia Retirement System

Employees of the University are employees of the Commonwealth of Virginia. Substantially all full-time classified salaried employees of the University participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The VRS does not measure assets and pension benefit obligations for individual state institutions. Therefore, all information relating to this plan is available at the statewide level only and can be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The CAFR discloses the unfunded pension benefit obligation at June 30, 2003, as well as the ten-year historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled \$665,029 for the year ended June 30, 2003. These contributions included the employee contribution assumed by the employer. For fiscal year 2003 the rate was five percent. Contributions to the VRS were calculated using a base salary amount of approximately \$13,300,582 for the fiscal year ended June 30, 2003. The University's total payroll was approximately \$25,153,346 for the year ended June 30, 2003.

### Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in six optional retirement plans. University employees currently participate in five of these plans, which include: Fidelity Investments Institutional Services, Great West Life Assurance, Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREFF), T. Rowe Price and Associates, and Variable Annuity Life Insurance (VALIC). These are fixed-contribution programs where the retirement benefits received are based upon the employer and employee contributions totaling 10.4 percent contribution, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University and the participant's contributions. Total pension costs under these plans were approximately \$887,417 for the year ended June 30, 2003. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$8,532,856. The University's total payroll was approximately \$25,153,346 for the year ended June 30, 2003.

#### 15. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS-administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the state's health plan. Information relating to these plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

#### 16. CONTINGENCIES

Longwood University receives assistance from non-State grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of Longwood University. As of June 30, 2003, Longwood University estimates that no material liabilities will result from such audits.

#### 17. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and workers' compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

18. PENDING GASB STATEMENT

Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, issued May 2002, will be effective for the fiscal year ending June 30, 2004. This Statement provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units. Generally, it requires reporting as a component unit, an organization that raises and holds economic resources for the direct benefit of the University. As a result, where in the past the University presented summary financial information of certain of its foundations in the notes to the financial statements, the University will be required under Statement No. 39 to include the Longwood University Foundation, Inc. in the body of its financial statements as a component unit.

## **SUPPLEMENTARY INFORMATION**

LONGWOOD UNIVERSITY  
SCHEDULE OF AUXILIARY ENTERPRISES - REVENUES AND EXPENDITURES  
For the Year Ended June 30, 2003

	Food Services	Bookstore	Residential Services	Parking and Transportation
<b>Revenues:</b>				
Student fees	\$ 4,736,009	\$ -	\$ 7,099,894	\$ 502,481
Sales and service	149,123	277,082	130,399	240,393
Income from security lending transactions (Note 1)	-	-	-	-
Other	-	-	-	-
<b>Total operating revenues</b>	<b>4,885,132</b>	<b>277,082</b>	<b>7,230,293</b>	<b>742,874</b>
<b>Expenditures:</b>				
Personal services	317,298	-	2,281,338	109,627
Contractual services	3,757,759	487	1,284,034	71,150
Other expenses	104,393	500	1,496,861	40,628
Security lending expenditures (Note 1)	-	-	-	-
<b>Total operating expenditures</b>	<b>4,179,450</b>	<b>987</b>	<b>5,062,233</b>	<b>221,405</b>
<b>Excess (deficiency) of revenues over (under) expenditures before transfers</b>	<b>705,682</b>	<b>276,095</b>	<b>2,168,060</b>	<b>521,469</b>
<b>Nonoperating revenues (expenses)</b>				
Debt service/zero coupon bonds	(646,565)	-	(872,999)	(201,162)
Capitalized expenses	(5,708)	-	(68,879)	(1,142)
Scholarship funding	-	-	(306,869)	-
<b>Net increase (decrease) for the year</b>	<b>\$ 53,409</b>	<b>\$276,095</b>	<b>\$ 919,313</b>	<b>\$ 319,165</b>

Net assets at beginning of year

Net assets at end of year

Note 1 - Longwood University maintains cash with the Treasurer in the State Treasurer's General Account. The State Treasurer's General Account participated in security lending transactions during fiscal year 2003 culminating the reporting of the gross revenue and gross expenditures relating to these transactions being reported in the University's financial statements. See Note 3 (Cash and Cash Equivalents) of the University's financial statements for more information regarding the State Treasurer's General Account security lending transactions.

Telecom- munications	Student Health	Student Union	Recreation and Intramurals	Inter- collegiate Athletics	Other Auxiliary	Total
\$ 693,918	\$357,983	\$353,678	\$ 139,005	\$ 2,357,301	\$ 3,783,707	\$ 20,023,976
322,782	12,626	8,541	-	4,087	1,004,930	2,149,963
-	-	-	-	-	13,951	13,951
-	-	-	-	54,346	337,272	391,618
1,016,700	370,609	362,219	139,005	2,415,734	5,139,860	22,579,508
536,670	374,348	280,892	89,484	1,277,675	1,847,411	7,114,743
379,621	15,807	27,381	7,297	475,853	936,292	6,955,681
29,111	14,649	41,548	17,347	305,032	756,001	2,806,070
-	-	-	-	-	13,951	13,951
945,402	404,804	349,821	114,128	2,058,560	3,553,655	16,890,445
71,298	(34,195)	12,398	24,877	357,174	1,586,205	5,689,063
(90,199)	-	-	-	-	(96,125)	(1,907,050)
(9,662)	(1,534)	(726)	(362)	(3,581)	(796,236)	(887,830)
(2,219)	-	-	-	(583,740)	(140,265)	(1,033,093)
\$ (30,782)	\$ (35,729)	\$ 11,672	\$ 24,515	\$ (230,147)	\$ 553,579	1,861,090
						5,018,893
						\$ 6,879,983

LONGWOOD UNIVERSITY  
Farmville, Virginia

BOARD OF VISITORS

J. David Adams	Ricky L. Otey
Ann Green Baise	Helen E. Phillips
William W. Bennet, Jr.	Donald J. Rennie
Barry J. Case	Sarah E. Terry
James C. Hughes	Helen P. Warriner-Burke

Anne Gregory Vandemark

OFFICIALS

Dr. Patricia P. Cormier  
President

Dr. Norman J. Bregman  
Provost and Vice President for Academic Affairs

Kathy S. Worster  
Vice President for Administration and Finance

Richard W. Bratcher  
Vice President for Facilities Management and  
Technology and Chief Information Officer

Barbara S. Burton  
Vice President for Institutional Advancement

Dr. Tim J. Pierson  
Vice President for Student Affairs