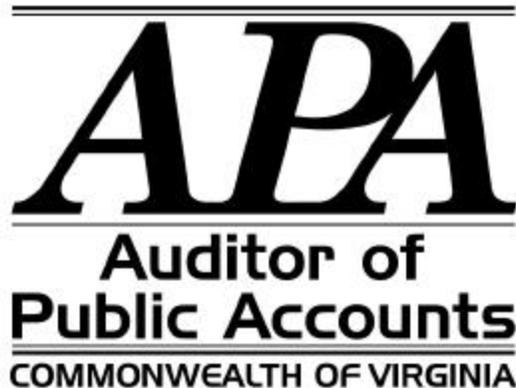


**MARY WASHINGTON COLLEGE
FREDERICKSBURG, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of Mary Washington College for the year ended June 30, 2001, found:

- the financial statements are presented fairly, in all material respects;
- an internal control matter that we consider to be a reportable condition; however, we do not consider this to be a material weakness; and
- no instances of noncompliance required to be reported under Government Auditing Standards.

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July 17, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
Mary Washington College

We have audited the accounts and records of **Mary Washington College** as of and for the year ended June 30, 2001, 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 balance sheet of Mary Washington College, a component unit of the Commonwealth of Virginia, as of June 30, 2001, and the related statements of changes in fund balances and current fund revenues, expenditures, and other changes for the year then ended. The financial statements are the responsibility of the College'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 Mary Washington College as of June 30, 2001, and the changes in fund balances and current fund revenues, expenditures, and other changes for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Auxiliary Enterprises - Revenues and Expenditures is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects in relation to the financial statements 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 Mary Washington College as of and for the year ended June 30, 2001, 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 College'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 College'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. However, we noted a certain matter involving the internal controls over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve certain matters that come to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition entitled, "Improve Controls over Financial Reporting" is described in the section titled, "Internal Control Finding and Recommendation."

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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition above is not a material weakness.

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 August 1, 2002.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL FINDING AND RECOMMENDATION

Maintain Supporting Documentation

The Finance Department did not initially prepare adequate support for adjusting journal entries and adjustments made to prior year fund balances. The College fully automated the preparation of its financial statements during the year. In automating the process, the Finance Department re-evaluated and made adjustments to the financial statements for the two prior fiscal years, but had difficulty providing detailed information that clearly supported those adjustments.

The State Comptroller requires each institution to prepare work papers, including any year-end adjusting entries, that clearly support the preparation of the financial statements. Each institution should provide sufficient information so that an adequate audit trail exists that supports the accuracy of the amounts presented in the annual financial report.

The Finance Department should ensure adequate documentation exists for all adjustments made to support the preparation of the financial statements. This support should be available for inspection by auditors during the annual audit of the College.

FINANCIAL STATEMENTS

MARY WASHINGTON COLLEGE
BALANCE SHEET
As of June 30, 2001

	Current Funds			Endowment and Similar Funds
	Unrestricted	Restricted	Loan Funds	
Assets				
Cash and investments (Note 3)	\$ 7,371,112	\$ 2,813,982	\$ 499,797	\$ 16,834,796
Appropriations available	3,474	812	-	-
Interest receivable	7,666	64	28	1,076
Accounts and loans receivable (Net of allowance for doubtful accounts of \$211,057)	502,960	25,086	680,844	-
Due from other funds (Note 4)	49,952	-	-	-
Inventories	595,066	43,698	-	-
Land	-	-	-	-
Improvements other than buildings	-	-	-	-
Buildings	-	-	-	-
Equipment	-	-	-	-
Library books	-	-	-	-
Construction in progress	-	-	-	-
Other assets	-	-	775	-
Total assets	\$ 8,530,230	\$ 2,883,642	\$ 1,181,444	\$ 16,835,872
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,278,809	\$ 10,953	-	\$ 500
Salaries payable	3,639,210	40,010	-	-
Retainage payable (Note 6)	-	-	-	-
Deposits held in trust	447,055	-	-	-
Notes payables (Note 6)	-	-	-	-
Installment purchases (Note 6)	-	-	-	-
Advance from the Treasurer of Virginia	20,624	-	-	-
Due to other funds (Note 4)	-	2,375	962	13,954
Deferred revenue	1,765,638	-	-	-
Bond payable (Note 5)	-	-	-	-
Capital lease obligation (Note 6)	-	-	-	-
Accrued liability for compensated absences	850,970	23,232	-	-
Obligations under securities lending program (Note 9)	135,006	-	-	-
Other liabilities	263,967	88,274	-	-
Total liabilities	8,401,279	164,844	962	14,454
Fund balances:				
Unrestricted	128,951	-	-	-
Restricted	-	2,718,798	358,437	-
U.S. government grant refundable	-	-	647,996	-
University funds-Restricted	-	-	174,049	-
Endowment	-	-	-	15,880,239
Quasi endowment-Restricted	-	-	-	941,179
Unexpended	-	-	-	-
Retirement of indebtedness	-	-	-	-
Net investment in plant	-	-	-	-
Total fund balances	128,951	2,718,798	1,180,482	16,821,418
Total liabilities and fund balances	\$ 8,530,230	\$ 2,883,642	\$ 1,181,444	\$ 16,835,872

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

Unexpended	Plant Funds		Agency Funds	Total (Memorandum Only)
	Retirement of Indebtedness	Investment in Plant		
\$ 4,416,378	\$ -	\$ -	\$ 99,517	\$ 32,035,582
5,382,079	-	-	-	5,386,365
-	-	-	-	8,834
-	-	-	-	1,208,890
-	-	-	-	49,952
-	-	-	-	638,764
-	-	473,112	-	473,112
-	-	13,549,696	-	13,549,696
-	-	48,632,571	-	48,632,571
-	-	3,898,215	-	3,898,215
-	-	8,845,479	-	8,845,479
-	-	29,031,969	-	29,031,969
-	24,755	-	-	25,530
\$ 9,798,457	\$ 24,755	\$ 104,431,042	\$ 99,517	\$ 143,784,959
\$ 648,014	\$ -	\$ -	\$ 14,363	\$ 1,952,639
-	-	-	-	3,679,220
15,121	-	-	-	15,121
-	-	-	52,493	499,548
4,397,092	-	2,677,908	-	7,075,000
-	-	2,466,851	-	2,466,851
-	-	-	-	20,624
-	-	-	32,661	49,952
-	-	-	-	1,765,638
-	-	8,702,134	-	8,702,134
-	-	464,815	-	464,815
-	-	-	-	874,202
-	-	-	-	135,006
-	-	-	-	352,241
5,060,227	-	14,311,708	99,517	28,052,991
-	-	-	-	128,951
-	-	-	-	3,077,235
-	-	-	-	647,996
-	-	-	-	174,049
-	-	-	-	15,880,239
-	-	-	-	941,179
4,738,230	-	-	-	4,738,230
-	24,755	-	-	24,755
-	-	90,119,334	-	90,119,334
4,738,230	24,755	90,119,334	-	115,731,968
\$ 9,798,457	\$ 24,755	\$ 104,431,042	\$ 99,517	\$ 143,784,959

MARY WASHINGTON COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

	Current Funds			Endowment and Similar Funds
	Unrestricted	Restricted	Loan Funds	
Revenues and other additions:				
Unrestricted current funds revenues	\$ 55,315,494	\$ -	\$ -	\$ -
Federal grants and contracts-restricted	-	1,051,509	6,907	-
State appropriations-restricted	-	902,545	-	-
State grants and contracts-restricted	-	103,642	-	-
Private gifts, grants, and contracts-restricted	-	379,158	-	840,692
Investment income	-	(122,393)	(9,756)	(791,096)
Interest on loans receivable	-	-	18,299	-
Expended for plant facilities (including \$430,463 charged to current funds)	-	-	-	-
Retirement of indebtedness	-	-	-	-
Other sources	-	763,831	13,836	-
Total revenues and other additions	55,315,494	3,078,292	29,286	49,596
Expenditures and other deductions:				
Educational and general expenditures	34,635,102	2,627,153	-	733,606
Auxiliary enterprise expenditures	17,356,506	-	-	-
Independent operations expenditures	-	654,724	-	-
Loan cancellations and write-offs	-	-	15,675	-
Administrative and collection costs	-	-	29	-
Expended for plant facilities (including non-capitalized expenditures of \$728,042)	-	-	-	-
Retirement of plant facilities	-	-	-	-
Retirement of indebtedness	-	-	-	-
Interest on indebtedness	-	-	-	-
Payment - securities lending	10,543	-	-	-
Total expenditures and other deductions	52,002,151	3,281,877	15,704	733,606
Transfers among funds-additions (deductions)				
Mandatory				
Debt service and other	(2,567,191)	20,848	-	-
Nonmandatory	(483,488)	74,126	-	(2,387)
Total transfers	(3,050,679)	94,974	-	(2,387)
Net increase (decrease) for the year	262,664	(108,611)	13,582	(686,397)
Fund balances, (as restated, Note 2), July 1, 2000	(133,713)	2,827,409	1,166,900	17,507,815
Fund balances, June 30, 2001	\$ 128,951	\$ 2,718,798	\$ 1,180,482	\$ 16,821,418

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

Plant Funds				
Unexpended	Retirement of Indebtedness	Investment in Plant		Total
\$ -	\$ -	\$ -	\$	55,315,494
-	-	-	-	1,058,416
472,542	305,810	-	-	1,680,897
-	-	-	-	103,642
261,759	-	-	-	1,481,609
-	-	-	-	(923,245)
-	-	-	-	18,299
-	-	2,889,636	-	2,889,636
-	-	1,976,717	-	1,976,717
-	-	-	-	777,667
734,301	305,810	4,866,353	-	64,379,132
-	-	-	-	37,995,861
-	-	-	-	17,356,506
-	-	-	-	654,724
-	-	-	-	15,675
-	-	-	-	29
3,187,215	-	-	-	3,187,215
-	-	29,177	-	29,177
-	1,976,717	-	-	1,976,717
-	877,499	-	-	877,499
-	-	-	-	10,543
3,187,215	2,854,216	29,177	-	62,103,946
-	2,546,343	-	-	-
411,749	-	-	-	-
411,749	2,546,343	-	-	-
(2,041,165)	(2,063)	4,837,176	-	2,275,186
6,779,395	26,818	85,282,158	-	113,456,782
\$ 4,738,230	\$ 24,755	\$ 90,119,334	\$	115,731,968

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MARY WASHINGTON COLLEGE
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
For the Year Ended June 30, 2001

	Unrestricted	Restricted	Total
Revenues:			
Student tuition and fees	\$ 15,763,083	\$ -	\$ 15,763,083
Federal grants and contracts	14,215	1,051,509	1,065,724
State appropriation revenue (Note 8)	18,649,346	902,545	19,551,891
State grants and contracts	3,000	103,642	106,642
Local grants and contracts	12,060	-	12,060
Private gifts, grants, and contracts	299,891	379,158	679,049
Sales and Services of auxiliary enterprises	20,226,366	-	20,226,366
Sales and Services of independent operations	-	652,533	652,533
Investment income	108,681	(122,393)	(13,712)
Proceeds - securities lending	10,976	-	10,976
Other sources	227,876	294,035	521,911
Total current revenues	55,315,494	3,261,029	58,576,523
Expenditures and mandatory transfers:			
Educational and general			
Instruction	17,852,059	-	17,852,059
Research	381,594	171,091	552,685
Public service	204,784	6,163	210,947
Academic support	4,003,813	1,058	4,004,871
Student services	3,636,997	-	3,636,997
Institutional support	4,644,161	-	4,644,161
Operation and maintenance of plant	3,866,557	-	3,866,557
Scholarships and fellowships	45,137	2,448,841	2,493,978
Total educational and general expenditures	34,635,102	2,627,153	37,262,255
Mandatory transfer for debt service and other	433,761	(20,848)	412,913
Total educational and general expenditures and mandatory transfers	35,068,863	2,606,305	37,675,168
Auxiliary enterprises:			
Operating expenditures	17,356,506	-	17,356,506
Payments - securities lending	10,543	-	10,543
Mandatory transfer for debt service and other	2,133,430	-	2,133,430
Total auxiliary enterprise expenditures and mandatory transfers	19,500,479	-	19,500,479
Independent operations:			
Operating expenditures	-	654,724	654,724
Total expenditures, mandatory and other transfers	54,569,342	3,261,029	57,830,371
Other additions (deductions):			
Excess (deficit) of restricted receipts over transfer to revenue	-	(182,737)	(182,737)
Nonmandatory transfers	(483,488)	74,126	(409,362)
Net increase (decrease) in fund balance	\$ 262,664	\$ (108,611)	\$ 154,053

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

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NOTES TO FINANCIAL STATEMENTS

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MARY WASHINGTON COLLEGE
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

A. Reporting Entity:

The accompanying financial statements include the accounts of all organizational units of Mary Washington College, including the operations of the Gari Melchers Memorial and the James Monroe Law Office Memorial Library. 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 College is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

B. Basis of Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles for colleges and universities and on the accrual basis of accounting, except for depreciation expense relating to capitalized fixed assets, which is not recorded.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses. To the extent that current funds are used to finance plant assets, the amounts so expended are accounted for as: (1) expenditures, in the case of normal replacement of moveable equipment and library books, (2) mandatory transfers in the case of required expenditures for debt amortization and interest, and (3) transfers of a non-mandatory nature for all other cases. Plant assets, at the time of disposal, revert to the Commonwealth for disposition.

C. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of "fund accounting." Resources are classified for accounting and reporting purposes into funds, which may be used for activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Visitors. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such fund and are in contrast with unrestricted funds over which the governing body retains full control and use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like are accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. In these funds, income is accounted for in the fund to which it is restricted or if unrestricted, as revenues in unrestricted current funds.

All unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

A summary of fund group definitions is as follows:

Current Funds – Current fund balances are separated into those, which are restricted by donors and those which are unrestricted. Restricted funds may only be expended for the purpose indicated by the donor or grantor whereas unrestricted funds are available for current operations at the discretion of the institution.

Loan Funds – Loan funds represent funds which are limited by the terms of their donors or by action of the Board of Visitors to the purpose of making loans to the students.

Endowment and Similar Funds – Endowment and similar funds generally include endowment funds and quasi-endowment funds.

Endowment Funds are funds which donors or other outside agencies have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to principal.

Quasi-Endowment Funds are funds, which the governing board of an institution has determined are to be returned and invested. Since these funds are internally designated rather than externally restricted, the governing board has the right to decide at any time to expend the principal.

Plant Funds – Plant funds are divided into three groups: Unexpended, Retirement of Indebtedness, and Investment in Plant. Unexpended plant funds represent funds, which were specified by external sources or designated by the Board of Visitors for the acquisition or construction of physical properties. The Retirement of Indebtedness fund includes resources held for the retirement of principal and interest on debt and sinking funds established under bond indentures. Investment in Plant represents the capitalized value of physical property owned by the College, less associated long-term debt.

Agency Funds – Agency funds reflect funds held in trust by the College.

The various funds are presented separately in the financial statements.

D. Investments

Mutual fund investments are stated at market value. Investments received by gift are recorded at market value at the date of donation. However, in most cases, investments received by gift go directly to the Mary Washington Foundation.

E. Net Investment in Plant

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts, unless otherwise noted. Depreciation on physical plant and equipment is not recorded.

F. Inventories

Inventories include merchandise for resale in the College's Bookstore (\$418,737), inventories held at James Monroe Museum (\$15,424) and the Gari Melchers Memorial (\$28,274), and supplies on hand in the Central Storeroom (\$176,329) at June 30, 2001. Inventories are calculated on a modified cost basis or cost basis.

G. Deferred Revenue

Deferred revenue represents revenues collected, but not earned, as of June 30, 2001. This amount is reported in the Current Unrestricted Fund and it is comprised of deposits on tuition for the following fiscal year.

H. Collections

The Gari Melchers Memorial of Mary Washington College maintains a collection of paintings, drawings, and etchings by Gari Melchers. A smaller collection of art works by other artists is also maintained. The James Monroe Law Office Museum and Memorial Library also maintains a collection of jewelry, furniture, documents, books, antiques, and portraits. Historical cost data for both of these collections is not available; accordingly, no balances are reported in the accompanying financial statements. These collections were appraised in 1982 and 1989 for approximately \$2,300,000 and \$1,747,236, respectively.

The Mary Washington College Gallery maintains collections of paintings and drawings by several artists including Alfred Levitt, Phyllis Ridderhof Martin, and Margaret Sutton. All collections have been donated to the College, but have not been appraised and total market value of the entire collection is unknown.

I. Accrued Compensation

The amount of leave earned, but not taken, by non-faculty salaried employees is recorded as a liability. The amount reflects as of June 30, 2001, all unused vacation leave, sabbatical 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 payment is also included.

J. Total Columns

Total columns on the financial statements captioned "TotalMemorandum Only" indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CHANGES TO BEGINNING FUND BALANCES

The College automated the financial statements and, in order to have comparative financial data, entered amounts from the audited financial statements for fiscal years ending 1999 and 2000 into the financial accounting system (IFAS). In the process of entering these amounts, the College discovered classification errors and discrepancies. As a result of corrections, the beginning fund balances for Unrestricted, Restricted, Endowment, Unexpended Plant and Investment in Plant were restated. In addition, Investment in Plant was reduced for equipment that was capitalized, but below the capitalization limits for previous years.

	June 30, 2000 Ending <u>Fund Balance</u>	July 1, 2000 Beginning <u>Fund Balance</u>	Increase/ (Decrease)
Unrestricted	(\$ 429,016)	(\$ 133,713)	\$ 295,303
Restricted	2,859,851	2,827,409	(32,442)
Endowment	17,460,897	17,507,815	46,918
Unexpended Plant	6,881,991	6,779,395	(102,596)
Investment in Plant	90,882,332	85,282,158	(5,600,174)

3. CASH AND INVESTMENTS

A. Cash

Cash totaling \$3,193,253 is maintained by the Treasurer of Virginia pursuant to Section 2.1-177 et. seq. Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Bank deposits held by the College totaled \$778,522 and were collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.1-359, et. seq. Code of Virginia, or covered by Federal depository insurance.

B. Investments

Investments include those held by the Treasurer of Virginia and mutual money market funds. Investments of this type are not categorized as to risk. The College reports investments at market value in the financial statements.

4. INTERFUND RECEIVABLES AND PAYABLES

For financial reporting purposes, current amounts due from and due to the same fund are offset and the net amounts are shown in the respective fund balance sheet. At the end of each fiscal year, the amount of interfund receivables is equal to the amount of interfund payables. The amounts of interfund receivables and payables were \$49,952 and consisted of the following interfund amounts:

	Amounts Due to <u>Other Funds</u>	Amounts Due from <u>Other Funds</u>
Current unrestricted funds	\$ -	\$ 49,952
Current restricted funds	2,375	-
Loan funds	962	-
Endowment funds	13,954	-
Agency funds	<u>32,661</u>	<u>-</u>
Total	<u>\$ 49,952</u>	<u>\$ 49,952</u>

5. LONG TERM DEBT

A. Bonds Payable

Mary Washington College Bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9 (C) bonds are backed by the full faith, credit, and taxing power of the Commonwealth and are issued to finance capital projects which, when completed, still generate revenue to repay the debt. Section 9 (D) debt is not backed by the full faith, credit, and taking power of the Commonwealth. This debt is payable from revenues of specific revenue-producing capital projects, such as dormitories and dining halls.

Annual debt service requirements to maturity for long term debt is as follows:

Section 9 (C) Higher Education Bonds
June 30, 2001

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 748,044	\$ 414,006	\$ 1,162,050
2003	781,206	380,013	1,161,219
2004	816,046	343,147	1,159,193
2005	858,958	303,705	1,162,663
2006	895,132	264,210	1,159,342
2007-2013	<u>4,602,748</u>	<u>861,721</u>	<u>5,464,469</u>
Total	<u>\$ 8,702,134</u>	<u>\$ 2,566,802</u>	<u>\$ 11,268,936</u>

<u>Details of Bonds Payable</u>	<u>Outstanding Balance June 30, 2001</u>
General Revenue Bonds, Series 1993R, issued \$2,169,713 to refund a portion of Student Activity Center Bond, Series 1986A, the balance payable in annual installments from \$215,190 to \$254,445 with interest of 3.5% to 4.75% payable semiannually, the final installment of \$254,445 due June 1, 2006.	\$1,170,899
Higher Education Bonds, Series 1993R, issued \$1,998,496 to refund a portion of Dormitory Bonds, Series 1990B, the balance payable in annual installments from \$173,455 to \$251,391 with interest of 3.5% to 5.0% payable semi-annually, the final installment of \$251,391 due June 1, 2010.	1,888,597
Higher Education Bonds, Series 1992C, issued \$3,305,000 with a discount of \$26,766, net proceeds of \$3,278,234 to finance construction of a 148 Bed Dormitory, the balance payable in annual installments from \$145,000 to \$160,000 with interest of 5% to 6% payable semiannually, the final installment of \$160,000 due June 1, 2004.	455,000
Higher Education Bonds, Series 1998R, issued \$2,094,152 to refund a portion of the 148 Bed Dormitory Bond, Series 1992C, the balance to finance construction of new parking lots and athletic fields, the balance payable in annual installments from \$14,449 to \$262,822 with interest of 3.5% to 4.7% payable semiannually, the final installment of \$262,822 due June 1, 2013.	2,037,638
Higher Education Bonds, Series 1993B, issued \$4,340,000 with a discount of \$39,196, net proceeds of \$4,300,804 to finance construction of telecommunications campus-wide, the balance payable in annual installments from \$200,000 to \$340,000 with interest of 3.5% to 5% payable semiannually, the final installment of \$340,000 due June 1, 2013.	<u>3,150,000</u>
Total	<u><u>\$8,702,134</u></u>

B. Changes in Bonds Payable

During the year ended June 30, 2001, the following changes occurred in bonds payable:

<u>Balance July 1, 2000</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2001</u>
<u>\$9,595,356</u>	<u>\$ -</u>	<u>\$893,222</u>	<u>\$8,702,134</u>

C. Prior Debt Defeasance

In prior years, certain outstanding bonds have been defeased by placing assets in irrevocable trusts with escrow agents. Accordingly, these assets and the liability for the defeased bonds are not reflected in the accompanying financial statements. As of June 30, 2001, \$1,835,000 of the defeased bonds remains outstanding.

6. COMMITMENTS

A. Notes Payable

Educational Facilities Revenue Bonds through the Virginia College Building Authority, Series 1997A, issued \$1,515,000 to finance construction of Jepson Science Building. The balance payable in annual installments from \$50,000 to \$115,000 with interest of 3.75% to 5%, payable semiannually, the final installment of \$115,000 due September 1, 2017. \$1,365,000

Virginia College Building Authority Bonds, series 1999A, issued \$1,045,000 to finance replacement of the Tennis Courts. The balance payable in annual installments from \$25,000 to \$85,000 with interest of 4.5% to 6.0%, payable semiannually, the final installment of \$85,000 due September 1, 2019. 1,020,000

Virginia College Building Authority Bonds, series 2000A, issued \$4,690,000 to finance construction of a Parking Deck. The balance payable in annual installments from \$110,000 to \$370,000 with interest of 4.25% to 5.75%, payable semiannually, the final installment of \$370,000 due September 1, 2020. 4,690,000

Total \$7,075,000

B. Capital Leases

The College is committed under five one-year capital leases through the Equipment Trust Fund expiring in various years through 2003. Book value of equipment capitalized under all lease agreements totals \$3,949,818. A summary of future obligations under lease agreements as of June 30, 2001 follows:

	<u>Year Ending</u> <u>June 30</u>	<u>Capital Lease</u> <u>Obligations</u>
	2002	\$332,631
	2003	<u>161,331</u>
Total minimum lease payments		493,962
Less amount representing interest		<u>(29,147)</u>
Present value of net minimum lease payments		<u>\$464,815</u>

The interest rates on capitalized leases vary from 3.50 percent to 9.5 percent as quoted by the vendor at the time the leases originated and/or the prevailing prime rate in the month of acquisition.

C. Installment Purchases

Mary Washington College has entered into various installment purchase contracts to finance the acquisition of computer and telecommunications equipment. The length of the purchase agreements ranges from 3 to 5 years and the interest rate from 4.3 percent to 4.6 percent. Principal and interest payments of these commitments for fiscal years subsequent to June 30, 2001 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 728,551	\$154,314	\$ 882,865
2003	539,101	105,651	644,752
2004	578,475	66,277	644,752
2005	<u>620,724</u>	<u>24,027</u>	<u>644,751</u>
Total	<u>\$2,466,851</u>	<u>\$350,269</u>	<u>\$2,817,120</u>

D. Construction

As of June 30, 2001, the College was committed to construction projects with outstanding commitments of \$5,098,623.

E. Retainage Payable

At June 30, 2001, \$15,121 was held by the College as retainage on ongoing projects for which work had been performed. The retainage will be remitted to the contractors upon satisfactory completion of the project.

7. CONTINGENT LIABILITIES

Included in the financial statements are revenues and expenditures related to Federal grants received by the College. The majority of these grants are for student financial aid awards, which have been audited through June 30, 2001. No questioned costs are noted. Other grant revenues and expenditures are subject to audit and retroactive adjustments by the granting Federal agency or its appointed agents.

8. APPROPRIATIONS

The College receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that 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 becomes part of the General Fund of the Commonwealth and are, therefore, no longer available for disbursements.

During the year ended June 30, 2001, the College received the following supplemental appropriations in accordance with the Appropriation Act of 2000, Chapter 1073, Acts of Assembly.

	<u>Unrestricted</u>	<u>Restricted</u>
Original legislative appropriation	\$18,544,765	\$ 902,681
Supplemental appropriations	<u>104,581</u>	<u>(136)</u>
Adjusted appropriations	<u>\$18,649,346</u>	<u>\$ 902,545</u>

9. PENSION PLAN AND OTHER RETIREMENT BENEFITS

Employees of Mary Washington College are employees of the Commonwealth. The employees participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not Mary Washington College, has overall responsibility for contributions to this plan.

Certain faculty and administrative staff participate in a defined contribution plan administered by five different providers rather than the VRS. The five providers are TIAA/CREF, VALIC, Fidelity Investments, Great West Life, and T. Rowe Price insurance companies. These are fixed-contribution programs where the retirement benefits received are based upon the employer's 10.4 percent contribution, plus interest and dividends. Individual contracts under the plans provide full and immediate vesting of all contributions. Contributions to these providers totaled approximately \$818,504 for the year ended June 30, 2001.

10. SECURITIES LENDING TRANSACTIONS

Investments held by the Treasurer of Virginia in Current Unrestricted Funds represent the College'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 Financial Report.

11. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE OPTIONS

The College 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 College participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's 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 worker's compensation, property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and water craft plans. The College 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.

12. MARY WASHINGTON COLLEGE FOUNDATION, INCORPORATED

Assets of the Mary Washington Foundation, Incorporated, which is separately incorporated and managed by its own Board of Trustees, are not included in the statements. The following is a summarization of the financial position of the Foundation at June 30, 2001, taken from the Foundation's audited financial statements:

Assets	<u>\$10,289,342</u>
Liabilities	\$ 695,875
Net Assets	<u>9,593,467</u>
Total Liabilities and Net Assets	<u>\$10,289,342</u>

13. PENDING GASB STATEMENT

Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, issued November 1999, will be effective for Mary Washington College for the fiscal year ending June 30, 2002. This Statement imposes new standards for financial reporting. The titles and formats of the financial statements will change significantly as a result of this Statement. In addition, management will be required to provide a management's discussion and analysis that gives readers an analysis of the College's overall financial position and results of operations including a comparison of current year results with the prior year. Mary Washington College has completed its assessment of the changes required by this Statement and is preparing for implementation.

SUPPLEMENTARY INFORMATION

MARY WASHINGTON COLLEGE
SCHEDULE OF AUXILIARY ENTERPRISES - REVENUES AND EXPENDITURES
For the Year Ended June 30, 2001

	Residence Halls	Dining Services	Bookstore	Telecomm- unications
Revenues:				
Sales and services	\$ 5,948,018	\$ 5,740,937	\$ 2,639,238	\$ 463,216
Student fees	84,687	-	-	644,754
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	6,032,705	5,740,937	2,639,238	1,107,969
Expense of operation:				
Personal services	1,212,943	(10,116)	260,490	396,081
Fringe benefits	257,572	(774)	53,819	125,383
Contractual services	361,873	3,173,336	69,670	420,229
Supplies and materials	186,525	21,322	1,840,081	21,132
Equipment	272,951	34,700	4,182	(20)
Other	3,130,902	189,842	182,442	27,684
Payments for securities lending	-	-	-	-
Total expenses of operations	5,422,767	3,408,310	2,410,685	990,489
Transfers:				
Mandatory transfers	732,418	-	-	994,768
Nonmandatory transfers	-	-	-	-
Total transfers	732,418	-	-	994,768
Net increase (decrease) in fund balance	\$ (122,480)	\$ 2,332,628	\$ 228,553	\$ (877,288)
Beginning fund balance				
Ending fund balance				

Note: Fund balances of individual enterprises are not maintained by the College.

	Health Center	Student Activities	Collegiate Athletics	Brompton	Other	Total
\$	92,560	\$ 1,523	\$ -	\$ -	\$ 1,442,090	\$ 16,327,582
	-	442,663	1,358,164	72,689	924,766	3,527,722
	-	-	-	-	268,886	268,886
	-	20,834	9,675	-	82,643	113,152
	92,560	465,020	1,367,839	72,689	2,718,385	20,237,342
	298,436	375,659	753,603	-	1,429,745	4,716,841
	75,581	76,065	213,043	-	444,268	1,244,958
	17,163	143,799	345,861	(6,087)	315,161	4,841,006
	96,822	40,849	99,576	30,522	72,580	2,409,409
	4,142	8,177	20,034	482	34,713	379,359
	37,755	48,879	12,816	47,773	86,841	3,764,934
	-	-	-	-	10,543	10,543
	529,898	693,429	1,444,932	72,689	2,393,852	17,367,049
	-	265,112	78,667	-	62,465	2,133,430
	-	-	-	-	411,749	411,749
	-	265,112	78,667	-	474,214	2,545,179
\$	(437,338)	\$ (493,521)	\$ (155,760)	\$ -	\$ (149,680)	325,114
						1,137,413
						<u>\$ 1,462,527</u>

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MARY WASHINGTON COLLEGE
Fredericksburg, Virginia

BOARD OF VISITORS
As of June 30, 2001

Vincent A. DiBenedetto III, Rector

Dori G. Eglevsky, Vice Rector

Kimberly P. Luger, Secretary

Abas M. Adenan
Mona D. Albertine
Dorcas R. Hardy
Suellen G. Knowles

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John C. Van Hoy
Charles Douglas Welty
Jennifer H. Whyte

ADMINISTRATIVE OFFICERS

William M. Anderson, Jr., President

Richard Hurley, Executive Vice President and Chief Financial Officer

Richard R. Pearce, Assistant Vice President for Business and Finance