

**CHRISTOPHER NEWPORT UNIVERSITY
NEWPORT NEWS, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Christopher Newport University for the year ended June 30, 1999, found:

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

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June 15, 2000

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit and Review Commission

The Board of Visitors
Christopher Newport University

We have audited the accounts and records of **Christopher Newport University** as of and for the year ended June 30, 1999, 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 Christopher Newport University as of June 30, 1999, and the related statements of changes in fund balances and current fund revenues, expenditures, and other changes for the year then ended. 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 generally accepted auditing standards 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 Christopher Newport University as of June 30, 1999, and the changes in fund balances and current fund revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

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 Christopher Newport University as of and for the year ended June 30, 1999, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with generally accepted auditing standards 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, audit committee, 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 23, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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FINANCIAL STATEMENTS

CHRISTOPHER NEWPORT UNIVERSITY
BALANCE SHEET
As of June 30, 1999

	Current Funds		Loan Funds	Endowment	Unexpended
	Unrestricted	Restricted		and Similar Funds	
ASSETS					
Cash (Note3)	\$ 3,926,598	\$ 401,463	\$ 280,129	\$ 143,370	\$ 11,676,922
Investments (Note 4)	1,047,920	-	-	2,605,086	-
Investments with the Treasurer of Virginia (Note 4)	-	-	-	-	4,902,683
Accounts receivable (Net of allowance for doubtful accounts of \$10,561)	356,385	49,310	24,318	-	59,648
Notes receivable (Net of allowance for doubtful accounts of \$174,795)	-	-	1,019,675	-	-
Inventories	328,413	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	241,678	-	-	-	-
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Equipment	-	-	-	-	-
Library books	-	-	-	-	-
Construction in progress	-	-	-	-	-
Equity in equipment trust fund	-	-	-	-	-
Total assets	\$ 5,900,994	\$ 450,773	\$ 1,324,122	\$ 2,748,456	\$ 16,639,253
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued liabilities	\$ 519,444	\$ 57,329	\$ 130	\$ -	\$ 783,989
Accrued wages	1,508,836	61,128	-	-	1,583
Accrued leave (Note 1D)	680,743	1,005	-	-	-
Deferred revenue (Note 1H)	627,644	-	-	-	-
Retainage payable	-	-	-	-	110,180
Notes payable (Note 5)	-	-	-	-	-
Bonds payable (Note 5)	-	-	-	-	8,852,293
Leases payable (Note 5)	-	-	-	-	-
Bond Anticipation Notes Payable (Note 6)	-	-	-	-	4,234,914
Due to other funds	-	-	-	-	60,193
Due to Commonwealth of Virginia	-	-	-	-	230,796
Funds held in custody for others	-	-	-	-	-
Obligations under security lending	-	-	-	-	-
Fund balances:					
Unrestricted current funds	2,564,327	-	-	-	-
Restricted current funds	-	331,311	-	-	-
Loan funds, U.S. Government grants	-	-	1,062,407	-	-
Loan funds, University - Restricted	-	-	261,585	-	-
Endowment funds	-	-	-	2,519,624	-
Quasi-endowment	-	-	-	228,832	-
Unexpended plant funds	-	-	-	-	2,365,305
Renewals and replacements	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Net investment in plant	-	-	-	-	-
Total liabilities and fund balances	\$ 5,900,994	\$ 450,773	\$ 1,324,122	\$ 2,748,456	\$ 16,639,253

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

Plant Funds			Agency Funds	Total (Memorandum Only)
Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		
\$ 4,175,375	\$ 1,231,242	\$ -	\$ 197,846	\$ 22,032,945
-	-	-	-	3,653,006
566,301	-	-	-	5,468,984
-	-	-	-	489,661
-	-	-	-	1,019,675
-	-	-	-	328,413
60,193	-	-	-	60,193
-	-	-	-	241,678
-	-	4,060,250	-	4,060,250
-	-	41,493,873	-	41,493,873
-	-	6,722,563	-	6,722,563
-	-	6,129,855	-	6,129,855
-	-	9,099,568	-	9,099,568
-	-	-	-	-
<u>\$ 4,801,869</u>	<u>\$ 1,231,242</u>	<u>\$ 67,506,109</u>	<u>\$ 197,846</u>	<u>\$ 100,800,664</u>

\$ 43,859	\$ -	\$ -	\$ 52,004	\$ 1,456,755
9,002	-	-	-	1,580,549
4,291	-	-	-	686,039
-	-	-	-	627,644
14,069	-	-	-	124,249
-	-	15,167	-	15,167
-	-	12,590,144	-	21,442,437
-	-	951,507	-	951,507
-	-	1,465,086	-	5,700,000
-	-	-	-	60,193
-	-	-	-	230,796
-	-	-	145,842	145,842
566,301	-	-	-	566,301
-	-	-	-	2,564,327
-	-	-	-	331,311
-	-	-	-	1,062,407
-	-	-	-	261,585
-	-	-	-	2,519,624
-	-	-	-	228,832
-	-	-	-	2,365,305
4,164,347	-	-	-	4,164,347
-	1,231,242	-	-	1,231,242
-	-	52,484,205	-	52,484,205
<u>\$ 4,801,869</u>	<u>\$ 1,231,242</u>	<u>\$ 67,506,109</u>	<u>\$ 197,846</u>	<u>\$ 100,800,664</u>

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 1999

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and other additions:				
Unrestricted current funds revenues	\$ 38,413,445	\$ -	\$ -	\$ -
State appropriation - Restricted	-	1,542,203	-	-
Student tuition and fees	-	-	-	-
Federal grants and contracts - Restricted	-	3,559,559	-	-
State grants and contracts - Restricted	-	203,302	-	-
Local grants and contracts - Restricted	-	57,610	-	-
Private gifts, grants and contracts - Restricted	-	403,140	1,250	237,814
Investment income - Restricted	-	81,859	-	39,241
Increase in fair value of investments	-	-	-	70,499
Security lending proceeds	-	-	-	-
Interest on loans receivable	-	-	36,891	-
Expended for plant facilities (Including \$1,519,278 charged to current funds)	-	-	-	-
Retirement of indebtedness	-	-	-	-
Other sources	-	2,963	7,349	-
Total revenues and other additions	38,413,445	5,850,636	45,490	347,554
Expenditures and other deductions:				
Educational and general expenditures	30,623,489	6,046,700	-	-
Auxiliary enterprises expenditures	7,391,710	-	-	-
Indirect cost recovered	-	109,489	-	-
Loan cancellations, assignments and write-offs	-	-	74,843	-
Administrative and collection costs	-	-	15,155	-
Expended for plant facilities (Including \$623,857 not capitalized)	-	-	-	-
Security lending payments	-	-	-	-
Retirement of indebtedness	-	-	-	-
Interest on indebtedness	-	-	-	-
Disposal of plant assets	-	-	-	-
Refunded to grantors	-	26,736	-	-
Reversion to the general fund of the Commonwealth	24,318	-	-	-
Total expenditures and other deductions	38,039,517	6,182,925	89,998	-
Transfers among funds - Additions/(Deductions):				
Mandatory:				
Debt service	(73,278)	-	-	-
Allocations of work-study program	76,518	(76,518)	-	-
Unexpended restricted income to endowment	-	(5,677)	-	5,677
Nonmandatory - (To)/from other funds	40,471	175,153	-	(215,624)
Total transfers among funds	43,711	92,958	-	(209,947)
Net increase (decrease) for the year	417,639	(239,331)	(44,508)	137,607
Fund balances at beginning of year	2,146,688	570,642	1,368,500	2,610,849
Fund balances at end of year	\$ 2,564,327	\$ 331,311	\$ 1,323,992	\$ 2,748,456

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

Plant Funds			
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
\$ -	\$ -	\$ -	\$ -
1,995,501	327,958	292,875	-
-	1,899,403	953,627	-
-	-	-	-
-	-	-	-
142,937	-	-	-
-	-	-	-
392,483	167,264	68,371	-
-	-	-	-
-	15,495	-	-
-	-	-	-
-	-	-	2,726,914
-	-	-	764,682
-	-	-	-
<u>2,530,921</u>	<u>2,410,120</u>	<u>1,314,873</u>	<u>3,491,596</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,051,190	780,303	-	-
-	14,841	-	-
-	-	764,682	-
-	-	617,795	-
-	-	-	1,771,400
-	-	-	-
230,796	-	-	-
<u>1,281,986</u>	<u>795,144</u>	<u>1,382,477</u>	<u>1,771,400</u>
-	-	73,278	-
-	-	-	-
-	-	-	-
300,044	(300,044)	-	-
<u>300,044</u>	<u>(300,044)</u>	<u>73,278</u>	<u>-</u>
1,548,979	1,314,932	5,674	1,720,196
816,326	2,849,415	1,225,568	50,764,009
<u>\$ 2,365,305</u>	<u>\$ 4,164,347</u>	<u>\$ 1,231,242</u>	<u>\$ 52,484,205</u>

CHRISTOPHER NEWPORT UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 1999

	Unrestricted	Restricted	Total
Revenues:			
Tuition and fees	\$ 11,451,898	\$ -	\$ 11,451,898
State appropriations (Note 9)	18,050,644	1,542,203	19,592,847
Federal grants and contracts	-	3,578,498	3,578,498
State grants and contracts	-	211,048	211,048
Local grants and contracts	-	66,090	66,090
Private gifts, grants, and contracts	-	456,755	456,755
Investment income	-	109,358	109,358
Sales and services of educational departments	24,585	-	24,585
Sales and services of auxiliary enterprises	8,219,385	-	8,219,385
Other sources	666,933	164,943	831,876
Total current revenues	38,413,445	6,128,895	44,542,340
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	15,549,390	120,526	15,669,916
Research	-	1,247,051	1,247,051
Public service	236,390	102,443	338,833
Academic support	3,911,025	25,199	3,936,224
Student services	2,761,987	62,116	2,824,103
Institutional support	4,669,912	-	4,669,912
Operation and maintenance of plant	3,361,386	1,173	3,362,559
Scholarships and fellowships	133,399	4,488,192	4,621,591
Educational and general expenditures	30,623,489	6,046,700	36,670,189
Mandatory transfers:			
Debt service	73,278	-	73,278
Allocation of work-study	(71,415)	76,518	5,103
Unexpended restricted income to endowment	-	5,677	5,677
Total educational and general	30,625,352	6,128,895	36,754,247
Auxiliary enterprises:			
Operating expenditures	7,391,710	-	7,391,710
Transfer to the General Fund of the Commonwealth	24,318	-	24,318
Mandatory transfers:			
Allocation of work-study	(5,103)	-	(5,103)
Total auxiliary enterprises	7,410,925	-	7,410,925
Total expenditures and mandatory transfers	38,036,277	6,128,895	44,165,172
Other transfers and additions/(deductions):			
Excess of restricted receipts over transfers to revenue	-	(387,748)	(387,748)
Refunded to grantors	-	(26,736)	(26,736)
Nonmandatory transfers	40,471	175,153	215,624
Net increase (decrease) in fund balances	\$ 417,639	\$ (239,331)	\$ 178,308

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

NOTES TO FINANCIAL STATEMENTS

CHRISTOPHER NEWPORT UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Christopher Newport University have been prepared in accordance with generally accepted accounting principles for colleges and universities. The significant accounting policies followed by the University are as follows:

A. Reporting Entity

Christopher Newport University is an institution of higher education located in Newport News, Virginia. The University operates under policy guidelines established by the State Council of Higher Education in Virginia and is governed by a Board of Visitors.

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 general purpose financial statements of the Commonwealth.

B. Basis of Accounting

The University utilizes the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities. The accompanying financial statements include no provision for the depreciation of plant assets.

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.

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 and reported 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 funds, and are in contrast with unrestricted funds over which the governing board retains full control and use in achieving any of its institutional purposes, subject only to state laws and regulations governing such funds.

Unrestricted revenue is accounted for in the Current Unrestricted Fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Current Restricted Funds are reported as revenues and expenditures when expended for current operation 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 University.

Loan Funds - Loan funds represent funds which are limited by the terms of their donors or by action of the Board of Visitors for the purpose of making loans to students and faculty/staff.

Endowment and Similar Funds - Endowment and similar funds record the usage of income from moneys subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Quasi-endowment funds have been established by the governing board for the same purpose as endowment funds, and any portion of quasi-endowment may be expended.

Plant Funds - Plant funds are divided into four groups: Unexpended Plant, Renewals and Replacements, 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 and construction of physical properties. Renewal and replacement funds represent funds for the renovation and replacement of physical properties. Retirement of indebtedness funds represent resources held for the retirement of both principal and interest on debt. Investment in Plant represents the capitalized value of physical property owned by the University, less associated long-term debt.

Agency Funds - Agency funds reflect funds held in custody for others by the University.

D. Accrued Leave

Accrued leave represents the amount of annual, sick, and compensatory leave earned but not taken as of June 30, 1999. The amount represents all earned annual, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University Handbook, for all Administrators holding faculty appointments, upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

E. Investments

Investments are stated at fair market value. Realized and unrealized gains and losses arising from the sale, collection or other disposition of investments, market fluctuations, and other noncash assets are accounted for in the fund which owns such assets, except income derived from investments of endowment and similar funds, whose income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in current unrestricted funds.

F. Inventory

Inventories are valued at the lower of cost (first-in, first-out basis) or market. The inventory held by the University consists of expendable supplies and items for resale. The cost of inventories is recorded as expenditures when consumed or sold rather than when purchased.

G. Investment in Plant

Plant assets are stated at cost, or if donated, at fair market value at the date of donation. Construction in progress is capitalized as expended and reflected in investments in plant. Expenditures for renewals and replacements are capitalized only to the extent that such expenditures represent long-term improvements to properties. Current fund expenditures for equipment are capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. The accompanying financial statements include no provision for depreciation of plant assets.

To the extent that current funds are used to finance plant assets, the amounts so provided 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 provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases. Plant assets, at the time of disposal, revert to the Commonwealth of Virginia for disposition. Proceeds, if any, are returned to the University.

H. Deferred Revenue

Deferred revenue represents monies received but not earned as of June 30, 1999. This is primarily composed of student tuition and fees received in advance of the academic term.

I. Total Columns

Total columns on the financial statements are captioned “Total - Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, 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. AFFILIATED ORGANIZATIONS

The financial statements do not include the assets, liabilities, and fund balances of the Christopher Newport University Educational Foundation, Inc. or the Christopher Newport University Real Estate Foundation, Inc. The purpose of the Christopher Newport University Educational Foundation is to solicit, receive and administer gifts of real and personal property for the continuing support of the University. The purpose of the Christopher Newport University Real Estate Foundation is to solicit, receive, hold inter vivos, and administer gifts of real and personal property for the continuing support of the University. The Foundations have not been audited.

The following is a condensed summary of the financial position, which the Foundations have submitted to the University at June 30, 1999:

	<u>Educational Foundation</u>	<u>Real Estate Foundation</u>
Assets	<u>\$7,555,695</u>	<u>\$3,569,490</u>
Liabilities	\$ 194,403	\$3,627,202
Fund balances	<u>7,361,292</u>	<u>(57,712)</u>
Total liabilities and fund balances	<u>\$7,555,695</u>	<u>\$3,569,490</u>
Revenues	<u>\$2,949,423</u>	<u>\$ 641,588</u>
Expenditures	<u>\$ 861,563</u>	<u>\$ 651,355</u>

3. CASH

All state funds of the University are held 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. Each fund’s equity in pooled state funds is reported as “Cash” on the accompanying balance sheet and is not categorized as to credit risk. Certain deposits also are held by the University. Deposits with banks and savings institutions are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359, et seq., Code of Virginia. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Saving institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits.

4. INVESTMENTS

Statutes authorize the investment of funds held by the University in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements and money market funds comprised of investments which are otherwise legal investments of the University.

The University's investments are categorized below to give an indication of the level of credit risk assumed by the University at June 30, 1999. Credit risk is the risk that the University may not be able to obtain possession of its investment instrument or collateral at maturity. Risk category 1 includes investments which are insured or registered or for which the securities are held by the University or its safekeeping agent in the University's name. Risk category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or safekeeping agent in the University's name. Risk category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the University's name. The University had no investments in categories 2 and 3.

	Category <u>1</u>	Market <u>Value</u>
U. S. Gov't Securities	\$ 776,524	\$ 776,524
Corporate Bonds	337,947	337,947
Corporate Stocks	<u>1,094,002</u>	<u>1,094,002</u>
Total Long Term Investments	<u>\$2,208,473</u>	\$2,208,473
Mutual, Money Market Funds		<u>1,444,533</u>
Total Investments		<u>\$3,653,006</u>

Collateral held for securities lending totaling \$566, 301 represents the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. The remaining "Investments with the Treasurer of Virginia" totaling \$4,902,683 represent the unspent proceeds from the sale of tax exempt commercial paper. 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.

5. LONG-TERM DEBT

A summary of changes in long-term indebtedness follows:

	Balance July 1, <u>1 9 9 8</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>1 9 9 9</u>
Bonds payable	\$11,632,748	\$10,255,000	\$445,311	\$21,442,437
Notes payable	19,229	-	4,062	15,167
Leases payable	<u>1,100,473</u>	<u>166,343</u>	<u>315,309</u>	<u>951,507</u>
Total	<u>\$12,752,450</u>	<u>\$10,421,343</u>	<u>\$764,682</u>	<u>\$22,409,111</u>

Long-term debt of the University at June 30, 1999, consists of the following:

	<u>Balance at June 30, 1999</u>
<u>Bonds Payable</u>	
Dormitory Revenue Bonds, Series 1992 issued \$7,970,000 (reduced to \$1,175,000 due to refinancing in March 1998); balance payable in annual installments of \$160,000 to \$195,000 with interest of 5.4% to 5.8% payable semiannually, final installment due in 2004	\$ 880,000
Campus Center Phase II Revenue Bonds, Refunding Series June 1993, issued \$463,037; balance payable in annual installments varying from \$388 to \$225,388 with interest of 4.5% to 4.9% payable semiannually, final installment due in 2004	226,940
Track Revenue Bonds, Refunding Series June 1993, issued \$79,865; balance payable in annual installments varying from \$60 to \$35,060 with interest of 4.5% to 4.9% payable semiannually, final installment due in 2004	35,302
Track Revenue Bonds, Refunding Series December 1993, issued \$185,483; balance payable in annual installments varying from \$28,251 to \$32,710 with interest of 4.2% to 4.5% payable semiannually, final installment due in 2003	122,399
Campus Center Phase II Revenue Bond, Refunding Series December 1993, issued \$1,117,349; balance payable in annual installments varying from \$178,852 to \$186,916 with interest of 4.2% to 4.5% payable semiannually, final installment due in 2003	733,665

Dormitory Revenue Bond, Refunding Series December 1993, issued \$3,570,000; balance payable in annual installments varying from \$10,000 to \$555,000 with interest of 4.2% to 5.125% payable semiannually, final installment due in 2022	3,535,000
Dormitory Revenue Bond, Series December 1994, issued \$2,435,000 (reduced to \$755,000 in January 1996 and subsequently to \$520,000 in March 1998 due to refinancing); balance payable in annual installments varying from \$50,000 to \$70,000 with interest of 6.0% to 6.1% payable semiannually, final installment due in 2006	425,000
Dormitory Revenue Bond, Refunding Series 1996, issued \$1,891,844; balance payable in annual installments varying from \$9,363 to \$175,000 with interest of 4.75% to 5.125% payable semiannually, final installment due in 2021	1,853,588
Dormitory Revenue Bond, Refunding Series 1998, issued \$3,260,396; balance payable in annual installments varying from \$24,796 to \$338,903 with interest of 3.75% to 5.0% payable semiannually, final installment due in 2015	3,208,488
Dormitory Revenue Bond, Refunding Series 1998, issued \$170,067; balance payable in annual installments varying from \$1,506 to \$80,000 with interest of 3.75% to 5.0% payable semiannually, final installment due in 2008	167,055
Sports and Wellness Center Revenue Bond, Series 1998A, issued \$10,255,000; balance payable in annual installments varying from \$345,000 to \$760,000 with interest of 4.532% payable semiannually, final installment due in 2019	<u>10,255,000</u>
Total Bonds Payable	<u>21,442,437</u>

Notes Payable

Pitney Bowes, Postage mailing system; issued \$23,050, payable in quarterly installments varying of \$1,611 including interest of 13.42%, final installment due in 2002	<u>15,167</u>
Total Notes Payable	<u>15,167</u>

Leases Payable

The University has entered into a capital lease agreement with the Virginia College Building Authority (VCBA). Under the terms of the lease, the University is authorized to purchase instructional equipment from an approved list of

equipment items in an amount not to exceed the principal amount of the lease. Payments for such purchases are to be reimbursed to the University by the VCBA from bond proceeds issued by the VCBA for such purposes. The General Assembly has appropriated from the General Fund of the Commonwealth, an amount sufficient to repay principal and interest, for the general fund portion of the lease payment, and the University is required to pay the non-general fund portion of the lease payment. The agreement is payable over a five-year period with interest of 3.50 percent to 5.35 percent payable semiannually.

835,991

On September 1, 1998, the University entered into a capital lease with Software Productivity Strategist, Inc. for the lease of a Hewlett Packard 3000, Series 939. The lease is payable over a three year period at a lease rate of 3.178 percent.

115,516

Total Leases Payable

951,507

Total Long-Term Indebtedness

\$22,409,111

A summary of future principal and interest obligations under long-term debt as of June 30, 1999, follows:

<u>Year Ending June 30,</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Capital Leases</u>
2000	\$ 1,792,705	\$ 6,444	\$ 318,117
2001	1,786,644	6,444	337,448
2002	1,773,536	4,833	262,580
2003	1,773,671	-	127,830
2004	1,804,821	-	-
Later years	<u>24,915,028</u>	-	-
Total	\$33,846,405	\$17,721	\$1,045,975
Less: Interest	<u>12,403,968</u>	<u>2,554</u>	<u>94,468</u>
Net	<u>\$21,442,437</u>	<u>\$15,167</u>	<u>\$ 951,507</u>

6. TAX EXEMPT COMMERCIAL PAPER

At June 30, 1999, the University had outstanding Tax Exempt Commercial Paper, Series 1998 in the amount of \$5,700,000. These funds were being used as interim financing in anticipation of the issuance of bonds for the construction of the University's second Residence Hall. The bonds for the Residence Hall were issued on September 29, 1999 and closed on October 20, 1999. Bonds were issued in the amount of \$12,550,000.

7. DEFEASANCE OF DEBT – PRIOR YEARS

During fiscal years 1994, 1996, and 1998, certain 1992C and 1994 General Obligation Bonds were defeased by the University. The net proceeds from the sale of these bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University’s financial statements. At June 30, 1999, the following amount of defeased bonds were outstanding:

	<u>Balance at June 30, 1999</u>
Series 1992C	\$6,405,000
Series 1994	<u>1,820,000</u>
	<u>\$8,225,000</u>

8. COMMITMENTS

At June 30, 1999, the University was committed to construction contracts totaling approximately \$26,107,429 of which \$3,948,105 had been recorded as construction in progress.

The University is a party to several operating lease agreements for a period of one year which generally have renewal options. Rental expense under operating leases was \$501,507 for the year ended June 30, 1999. Commitments for subsequent fiscal years are as follows:

<u>Year Ending June 30,</u>	
2000	\$ 513,386
2001	513,386
2002	513,386
2003	<u>513,386</u>
Total	<u>\$2,053,544</u>

9. STATE APPROPRIATIONS-CURRENT FUNDS-UNRESTRICTED

The Appropriation Act specifies that unexpended appropriations from the General Fund of the Commonwealth shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of the 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, therefore, no longer available to the University for disbursement.

During the year ended June 30, 1999, the following changes were made to the University’s original appropriation, including supplemental appropriations received in accordance with the Appropriation Act of 1999, Chapter 935, Acts of Assembly:

Appropriation	\$18,253,755
Supplemental appropriations:	
Salary regrades	66,010
Health care premiums	88,117
VIVA libraries	4,543
Mandatory budget reductions:	
Faculty salaries	(28,593)
Employee benefits	(127,070)
VCBA debt obligation	(197,618)
VIVA libraries	<u>(8,500)</u>
Adjusted Appropriations	<u>\$18,050,644</u>

10. STATE STUDENT LOAN FUNDS

The University discontinued making loans from the Commonwealth of Virginia State Student Loan Program in 1986. The sole activity in this account was the repayment of loans outstanding and as of June 30, 1999, all loans have been repaid. Summarized below is the fund activity of the Loan Fund for the year ended June 30, 1999:

Fund balance July 1, 1998	\$54,869
Interest and loan cancellation reimbursements	<u>56</u>
Fund balance June 30, 1999	<u>\$54,925</u>

11. RETIREMENT AND PENSION PLANS

Employees of the University are employees of the Commonwealth. Substantially all full-time classified salaried employees of the University participate in a defined benefit retirement 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 the University, has overall responsibility for contributions to this plan.

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed contribution programs where the retirement benefits received are based upon the employer contributions of 5.4 percent and employee contributions of 5 percent (also paid by the employer) plus interest and dividends. Individual contracts issued under the plans provide for full and immediate vesting of both the University's and the employees' contributions. Total pension costs under this plan were approximately \$702,908 for the year ended June 30, 1999. Contributions to other retirement plans were calculated using the base salary amount of approximately \$6,758,731.

12. POST-EMPLOYMENT BENEFITS

The University participates in the VRS administered statewide group life insurance program which provides post-employment life insurance benefits to eligible retired and terminated employees of

the Commonwealth. 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 health plan. Information related to these plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

13. CONTINGENCIES

The University receives assistance from grantor agencies in the form of grants and contracts for specific purposes that are subject to review and audit by the grantor agencies. Claims against those resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations. Any disallowance resulting from final settlement may become a liability of the University. As of June 30, 1999, the University estimates that no material liabilities will result from such settlements.

14. SURETY BOND

The Commonwealth of Virginia, through its Department of General Services, Division of Risk Management, maintains self-insurance programs. The employees of the University are covered under the Commonwealth of Virginia, Faithful Performance of Duty Bond, Self-Insurance Plan. All employees are bonded to \$500,000, for any one event or interrelated series of events, or to the position limits set in the Code of Virginia, whichever is higher. Information relating to the Commonwealth's self-insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report

SUPPLEMENTARY INFORMATION

CHRISTOPHER NEWPORT UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES -
REVENUES AND EXPENDITURES
For the Year Ended June 30, 1999

	Auxiliary Support	Intercollegiate Athletics	Bookstore	Residential Life
Revenues:				
Student fees	\$ 1,149,292	\$ 1,330,470	\$ -	\$ 845,082
Sales and services	128,766	41,513	2,421,830	135,245
Other income	255,020	17,502	87,732	37,597
Total revenues	1,533,078	1,389,485	2,509,562	1,017,924
Cost of sales	-	-	1,745,033	-
Net revenues	1,533,078	1,389,485	764,529	1,017,924
Expenses of operation:				
Personal services	849,254	760,965	264,979	203,994
Contractual services	118,704	242,589	55,132	141,493
Supplies and materials	41,361	96,638	10,088	40,461
Continuous charges and obligations	141,626	161,089	88,069	270,078
Equipment	49,239	27,447	17,039	157,824
Miscellaneous	116	15,393	7,871	-
Total expenses of operation	1,200,300	1,304,121	443,178	813,850
Excess (deficiency) of revenues over (under) expenses of operation before transfers	332,778	85,364	321,351	204,074
Transfers:				
Mandatory:				
Allocation of work-study program	728	3,675	-	700
Transfer to the General Fund of the Commonwealth	(24,318)	-	-	-
Nonmandatory:				
(To)/from other funds	-	-	(159,528)	-
Net increase (decrease) in fund balances	309,188	89,039	161,823	204,774
Fund balances at beginning of year	370,845	(50,978)	1,529,807	298,455
Fund balances at end of year	\$ 680,033	\$ 38,061	\$ 1,691,630	\$ 503,229

<u>Dining Services</u>	<u>Total</u>
\$ 751,864	\$ 4,076,708
987,950	3,715,304
29,522	427,373
<u>1,769,336</u>	<u>8,219,385</u>
704,806	2,449,839
<u>1,064,530</u>	<u>5,769,546</u>
740,849	2,820,041
156,264	714,182
45,469	234,017
229,215	890,077
8,625	260,174
-	23,380
<u>1,180,422</u>	<u>4,941,871</u>
(115,892)	827,675
-	5,103
-	(24,318)
-	(159,528)
(115,892)	648,932
<u>362,062</u>	<u>2,510,191</u>
<u>\$ 246,170</u>	<u>\$ 3,159,123</u>

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CHRISTOPHER NEWPORT UNIVERSITY
Newport News, Virginia

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