MARY WASHINGTON COLLEGE

FREDERICKSBURG, VIRGINIA

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 1999

AUDITOR OF

PUBLIC

ACCOUNTS

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Mary Washington College for the year ended June 30, 1999, found the following:

- The financial statements are presented fairly, in all material respects;
- Internal control matters we consider to be reportable conditions; however, we do not consider to be material weaknesses;
    - Evaluate staffing levels and cross training;
    - Improve inefficient processes; and
    - Improve security over the College's network;
- No instances of noncompliance with applicable laws and regulations tested that we are required to report.

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May 10, 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
Mary Washington College

We have audited the accounts and records of **Mary Washington College** 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 Mary Washington College 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. 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 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 Mary Washington College 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 Mary Washington College 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 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the 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. Reportable conditions entitled "Evaluate Staffing Levels and Cross Training," "Automate Inefficient Processes," and "Improve Security of College's Network" are described in the section titled Internal Control and Compliance Findings and Recommendations.

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 the 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 none of the reportable conditions described above is a material weakness.

Status of Prior Findings

The College has not completed corrective action with respect to the previously reported findings, "Automate Inefficient Processes" and "Improve Security of the College's Network." Accordingly, we included these findings in the section entitled Internal Control and Compliance Findings and Recommendations. The College has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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, and 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 21, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Evaluate Staffing Levels and Cross-Training

Like many smaller institutions, the College is heavily dependent on a small number of key personnel to perform critical functions. While this situation is probably true throughout the institution, some turnover occurred in key finance positions over the past two years. During this transition, we observed that the College relies on a very small number of key personnel to perform essential duties beyond just processing transactions. These individuals identify tasks and duties and complete them, but do not have time to both fulfill the responsibilities of their jobs and train others. This situation could lead to the loss of knowledge or disrupted operations if one of these key individuals left abruptly.

The College needs to seriously evaluate the risk to operations should one or more of these positions become vacant at the same time. In evaluating the risk, management should consider that most of these key individuals perform multiple tasks and there is little documentation of how they do their work.

Management may wish to work with the Internal Auditor to assist in evaluating the risk to operations if the College lost one or more of these key individuals. As part of this evaluation, management should consider the need for cross-training and the difficulty in documenting all the duties of these individuals. In performing the review, the College may wish to concentrate on those functions that are the most critical to the institution. The review should also consider that some of the duties of these individuals are time sensitive and occur only periodically during the year.

Automate Inefficient Processes

Management has made some improvements in automating its business processes. However, they have not taken full advantage of information systems to improve the overall efficiency of operations in financial management. The College does not use a financial statement report generator that is available in the online accounting system. Previously, the College had anticipated they would be using the financial statement report generator for the Fiscal 2000 financial statements. However, the financial statements for Fiscal 2000 will not come from the financial statement generator.

GASB Statement No. 35 will require public institutions of higher education to alter their current method of financial reporting. The Commonwealth of Virginia must adopt these principles by Fiscal 2001. The proper mapping of general ledger accounts to the financial statement report generator will become more important with the adoption of GASB Statement No. 35. The mapping will ensure proper treatment of financial information under the Statement and will reduce the amount of time required to prepare financial statements.

The College began mapping during Fiscal 1999 in order to prepare for the system changes and updates; however, they have discontinued the process. It will be difficult for the College to fully map their financial system by the required adoption date of the new accounting principles if management does not allocate the resources to this task. The College should develop a timeline for completion of the mapping. In addition, the College should determine whether it can accomplish this task internally or will need to seek external assistance.

Improve Security of the College's Network

The College's Internal Auditor identified weaknesses and made recommendations in local area network security, continuity, and management during Fiscal 1998. The Internal Auditor performed follow-up reviews in February 1999 and April 2000. Computer and Network Services has corrected 9 of the 11 recommendations. The Associate Vice President for Computer and Network Services is continuing to address and implement the two remaining recommendations listed below.

- Improve the Security of Data Transmissions

- Develop a Network Disaster Recovery Plan

Management has extended the completion dates for the two remaining recommendations. It appears that Computer and Network Services is on-track to meet these revised completion dates.

MARY WASHINGTON COLLEGE
BALANCE SHEET
As of June 30, 1999

	Current Funds			Endowment and Similar Funds	
	Unrestricted	Restricted	Loan Funds		Unexpended
ASSETS					
Cash and Investments (Note 2)	$ 5,689,838	$ 2,779,618	$ 415,279	$ 16,229,108	$ 682,847
Appropriations available	2,553	564	-	-	3,536,746
Interest receivable	8,773	61	10	319	-
Accounts and loans receivable (Net of allowance for doubtful accounts of $232,842)	318,180	1,441	747,393	-	-
Due from other funds	12,501	-	-	-	-
Inventories	594,104	39,117	-	-	-
Land	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Buildings	-	-	-	-	-
Equipment	-	-	-	-	-
Library books	-	-	-	-	-
Construction in progress	-	-	-	-	-
Collateral held for securities lending (Note 2)	100,523	-	-	-	-
Other assets (Due from Commonwealth)	979,030	-	459	-	104,686
Total assets	$ 7,705,502	$ 2,820,801	$ 1,163,141	$ 16,229,427	$ 4,324,279
LIABILITIES AND FUND BALANCES					
Accounts payable	$ 2,277,469	$ 28,661	$ -	$ 3,280	$ 520,282
Retainage payable (Note 4)	-	-	-	-	565,867
Deposits pending distribution	350,070	-	-	-	-
Notes payables (Note 4)	-	-	-	-	-
Installment purchase payable (Note 4)	-	-	-	-	-
Advance from the Treasurer of Virginia	22,000	-	-	-	-
Due to other funds	11,661	979	-	-	-
Deferred revenue	1,504,411	-	-	-	-
Bond payable (Note 4)	-	-	-	-	-
Capital lease obligation (Note 4)	-	-	-	-	-
Accrued liability for compensated absences	757,636	25,979	-	-	-
Payable for collateral held for securities lending (Note 2)	100,523	-	-	-	-
Other liabilities	2,390,111	28,315	-	-	500,000
Total liabilities	7,413,881	83,934	-	3,280	1,586,149
Fund balances:					
Unrestricted	291,621	-	-	-	-
Restricted	-	2,736,867	291,136	-	-
U.S. Government grant refundable	-	-	634,877	-	-
University funds - Restricted	-	-	237,128	-	-
Endowment	-	-	-	14,910,079	-
Quasi-endowment - Restricted	-	-	-	1,316,068	-
Unexpended	-	-	-	-	2,738,130
Retirement of Indebtedness	-	-	-	-	-
Net investment in plant	-	-	-	-	-
Total fund balances	291,621	2,736,867	1,163,141	16,226,147	2,738,130
Total liabilities and fund balances	$ 7,705,502	$ 2,820,801	$ 1,163,141	$ 16,229,427	$ 4,324,279

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

Plant Funds Retire. of Indebtedness	Investment in Plant	Agency Funds	Total
$ -	$ -	$ 84,259	$ 25,880,949
-	-	-	3,539,863
-	-	-	9,163
-	-	-	1,067,014
-	-	11,661	24,162
-	-	-	633,221
-	473,112	-	473,112
-	13,553,943	-	13,553,943
-	48,632,571	-	48,632,571
-	8,611,396	-	8,611,396
-	8,038,555	-	8,038,555
-	21,006,000	-	21,006,000
-	-	-	100,523
28,881	-	-	1,113,056
$ 28,881	$ 100,315,577	$ 95,920	$ 132,683,528
$ -	$ -	$ 5,138	$ 2,834,830
-	-	-	565,867
-	-	79,260	429,330
-	1,465,000	-	1,465,000
-	3,779,488	-	3,779,488
-	-	-	22,000
-	-	11,522	24,162
-	-	-	1,504,411
-	10,456,063	-	10,456,063
-	1,085,356	-	1,085,356
-	-	-	783,615
-	-	-	100,523
-	-	-	2,918,426
-	16,785,907	95,920	25,969,071
-	-	-	291,621
-	-	-	3,028,003
-	-	-	634,877
-	-	-	237,128
-	-	-	14,910,079
-	-	-	1,316,068
-	-	-	2,738,130
28,881	-	-	28,881
-	83,529,670	-	83,529,670
28,881	83,529,670	-	106,714,457
$ 28,881	$ 100,315,577	$ 95,920	$ 132,683,528

MARY WASHINGTON COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 1999

	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment and Similar Funds	Unexpended
Revenues and other additions:					
Unrestricted current funds revenues	$ 45,763,058	$ -	$ -	$ -	$ -
Federal grants and contracts - restricted	-	1,215,265	8,479	-	-
State appropriations - restricted	-	846,030	-	-	8,391,184
State grants and contracts - restricted	-	180,048	-	-	-
Local grants and contracts - restricted	-	5,200	-	-	-
Private gifts, grants and contracts	-	49,637	-	493,277	-
Investment income	-	317,727	30,822	791,760	-
Net realized gain on investments	-	108,552	13,998	62,808	-
Net increase (decrease) in fair value of investments	-	11,688	6,052	574,690	-
Endowment income	-	493,583	-	-	-
Interest on loans receivable	-	-	18,289	-	-
Expended for plant facilities (including $1,538,104 charged to current funds)	-	-	-	-	-
Retirement of indebtedness (including charged to current funds)	-	-	-	-	-
Proceeds - Securities lending	8,459	-	-	-	-
Other sources	-	667,268	669	-	-
Total revenues and other additions	45,771,517	3,894,998	78,309	1,922,535	8,391,184
Expenditures and other deductions:					
Educational and general expenditures	28,914,546	3,117,794	-	-	-
Auxiliary enterprise expenditures	15,073,129	16,835	-	-	-
Indirect costs recovered	-	39,427	-	-	-
Refunded to grantors	-	-	-	-	-
Loan cancellations and write-offs	-	-	1,718	-	-
Expended for plant facilities (including non-capitalized expenditures of $209,307)	-	-	-	-	6,688,118
Retirement of plant facilities	-	-	-	-	-
Retirement of indebtedness (including $50,000 charged to current funds)	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Payment - Securities lending	8,135	-	-	-	-
Other	-	629,511	5,726	-	-
Total expenditures and other deductions	43,995,810	3,803,567	7,444	-	6,688,118
Transfers among funds - additions (deductions):					
Mandatory:					
Debt service and other	(2,204,371)	24,194	2,798	-	-
Nonmandatory:					
Debt service and other	(247,999)	(48,651)	-	(60,850)	357,500
Total transfers	(2,452,370)	(24,457)	2,798	(60,850)	357,500
Net increase (decrease) for the year	(676,663)	66,974	73,663	1,861,685	2,060,566
Fund balances, July 1, 1998	968,284	2,669,893	1,089,478	14,364,462	677,564
Fund balances, June 30, 1999	$ 291,621	$ 2,736,867	$ 1,163,141	$ 16,226,147	$ 2,738,130

Plant Funds		
Retirement of Indebtedness	Investment in Plant	Total
$ -	$ -	$ 45,763,058
-	-	1,223,744
289,396	-	9,526,610
-	-	180,048
-	-	5,200
-	-	542,914
-	-	1,140,309
-	-	185,358
-	-	592,430
-	-	493,583
-	-	18,289
-	8,016,915	8,016,915
-	1,748,841	1,748,841
-	-	8,459
-	-	667,937
289,396	9,765,756	70,113,695
-	-	32,032,340
-	-	15,089,964
-	-	39,427
-	-	-
-	-	1,718
-	-	6,688,118
-	1,224,782	1,224,782
1,629,062	-	1,629,062
839,776	-	839,776
-	-	8,135
-	-	635,237
2,468,838	1,224,782	58,188,559
2,177,379	-	-
-	-	-
2,177,379	-	-
(2,063)	8,540,974	11,925,136
30,944	74,988,696	94,789,321
$ 28,881	$ 83,529,670	$ 106,714,457

MARY WASHINGTON COLLEGE
STATEMENT OF CURRENT FUND REVENUES,
EXPENDITURES AND OTHER CHANGES
For the Year Ended June 30, 1999

	Unrestricted	Restricted	Total
Revenues and other additions:			
Student tuition and fees	$ 14,679,477	$ -	$ 14,679,477
Federal government grants and contracts	40,055	1,175,838	1,215,893
State appropriations (Note 5)	13,616,818	846,030	14,462,848
State government grants and contracts	-	180,048	180,048
Local grants and contracts	-	5,200	5,200
Private gifts, grants and contracts	112	49,637	49,749
Endowment income	-	493,583	493,583
Sales/Services of educational department	95,504	-	95,504
Sales/Services of auxiliary enterprises	17,119,194	-	17,119,194
Sales/Services of independent operations	-	427,649	427,649
Investment income	99,852	437,967	537,819
Proceeds - Securities lending (Note 2)	8,459	-	8,459
Other sources	112,046	123,994	236,040
Total current revenues	45,771,517	3,739,946	49,511,463
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	15,148,543	89,388	15,237,931
Research	350,870	88,033	438,903
Public service	261,102	454,115	715,217
Academic support	3,283,136	156,495	3,439,631
Student service	2,542,835	16,205	2,559,040
Institutional support	4,371,154	-	4,371,154
Operation and maintenance of plant	2,940,423	-	2,940,423
Scholarships and fellowships	16,483	2,313,558	2,330,041
Total educational and general expenditures	28,914,546	3,117,794	32,032,340
Mandatory transfers for debt service and other	324,869	(24,194)	300,675
Total educational and general expenditures and mandatory transfers	29,239,415	3,093,600	32,333,015
Auxiliary Enterprises:			
Operating expenditures	15,073,129	16,835	15,089,964
Payments - Securities lending (Note 2)	8,135	-	8,135
Mandatory transfer for debt service and other	1,879,502	-	1,879,502
Total auxiliary enterprise expenditures and mandatory transfers	16,960,766	16,835	16,977,601
Hospital and independent operations:			
Operating expenditures	-	629,511	629,511
Total expenditures, mandatory and other transfers	46,200,181	3,739,946	49,940,127
Other additions (deductions):			
Excess (deficit) of restricted receipts over transfers to revenue	-	115,625	115,625
Nonmandatory transfers	(247,999)	(48,651)	(296,650)
Net increase (decrease) in fund balance	$ (676,663)	$ 66,974	$ (609,689)

MARY WASHINGTON COLLEGE

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements include the accounts of all organizational units of Mary Washington College, including the operations of the Belmont, the Gari Melchers Memorial, and the James Monroe Law Office and 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 at the time the liabilities are incurred through the receipt of goods or services.

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 nonmandatory 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:

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

E. Net Investment in Plant

Physical plant and equipment are stated at cost at the date of acquisition or fair market value at the 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, inventories held at the James Monroe Museum, and the Gari Melchers Memorial, and supplies on hand in the Central Storeroom at June 30, 1999. 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, 1999. The majority of this amount is reported in the Current Unrestricted Fund and is composed of deposits on tuition for the following fiscal year.

H. Collections

The Belmont, Gari Melchers Memorial of Mary Washington College, maintains a collection of paintings, drawings, and etchings by Gari Melchers. A smaller collection of artwork 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 Compensated Absences

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, 1999, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of

Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payment is also included.

2. CASH AND INVESTMENTS

A. Cash

Cash totaling $7,024,354 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 $590,177 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.

C. Securities Lending

Investments held by the Treasurer of Virginia 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.

3. 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

Year Ending June 30, 1999	Principal	Interest	Total
2000	$ 860,707	$ 492,766	$ 1,353,473
2001	893,222	454,325	1,347,547
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+	6,356,838	1,376,151	7,732,989
Total	$10,456,063	$3,460,408	$13,916,471

Details of Bonds Payable	Outstanding balance at June 30, 1999
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 $5,600 to $254,445 with interest of 3.5% to 4.75% payable semiannually, the final installment of $254,445 due June 1, 2006	$ 1,570,591
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 $403 to $251,391 with interest of 3.5% to 5.0% payable semi- annually, the final installment of $251,391 due June 1, 2010	1,922,680
Higher Education Bonds, Series 1993R, issued $721,685, to refund a portion of Dormitory Bonds, Series 1989, the balance payable in annual installments from $3,620 to $187,789 with interest due of 3.5% to 4.5%, the final installment of $187,789 due on June 1, 2001	363,177
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 $120,000 to $160,000 with interest of 5% to 6% payable semiannually, the final installment of $160,000 due June 1, 2004	720,000
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 $12,885 to $262,822 with interest of 3.5% to 4.7% payable semiannually, the final installment of $262,822 due June 1, 2013	2,064,574
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 $150,000 to $340,000 with interest of 3.5% to 5% payable semiannually, the final installment of $340,000 due June 1, 2013	3,525,000

Higher Education Bonds, Series 1996R, issued $301,848 to refund a portion of Dormitory Bonds, Series 1990B, the balance payable in annual installments from $2,018 to $146,254 with interest of 4.75% payable semiannually, the final installment due June 1, 2001	290,041
Total bonds payable	$ 10,456,063

B. Changes in Bonds Payable

During the year ended June 30, 1999, the following changes occurred in bonds payable:

Balance July 1, 1998	Additions	Deletions	Balance June 30,1999
$ 11,269,441	$ -	$ 813,378	$ 10,456,063

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, 1999, $2,120,000 of the defeased bonds remains outstanding.

4. 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, with an interest rate of 3.75 to 5 percent, the balance payable in annual installments from $50,000 to $115,000, and the final installment of $115,000 due September 1, 2017.

Year Ending June 30, 1999	Principal	Interest	Total
2000	$ 50,000	$ 68,448	$ 118,448
2001	50,000	66,448	116,448
2002	55,000	64,294	119,294
2003	55,000	61,984	116,984
2004	60,000	59,525	119,525
2005+	1,195,000	462,651	1,657,651
Total	$1,465,000	$ 783,350	$2,248,350

B. Capital Leases

The College is committed under five one-year capital leases through the Equipment Trust Fund, which expire 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, 1999, follows:

Year Ending June 30, 1999	Capital Lease Obligations
2000	$ 341,348
2001	365,574
2002	332,631
2003	161,331
Total minimum lease payments	1,200,884
Less amount representing interest	(115,528)
Present value of net minimum lease payments	$1,085,356

The interest rates on capitalized leases vary from 3.50 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 three to five years with interest rates from 4.3 to 4.6 percent. Principal and interest payments of these commitments for fiscal years subsequent to June 30, 1999, are as follows:

Year	Principal	Interest	Total
2000	$ 633,352	$ 249,513	$ 882,865
2001	679,285	203,579	882,864
2002	728,551	154,314	882,865
2003	539,101	105,651	644,752
2004	578,475	66,277	644,752
2005+	620,724	4,027	44,751
Total	$ 3,779,488	$ 803,361	$ 4,582,849

D. Construction

As of June 30, 1999, the College was committed to construction projects with budgets and expenditures to date as follows:

	Budget	Expended to Date
Science building	$12,809,800	$12,689,636
Boiler conversion	205,000	203,901
Goolrick HVAC	2,656,000	246,875
Residence hall HVAC	1,700,000	61,316
Stafford campus	9,030,000	6,104,322
Belmont studio	500,000	21,295
Combs renovation	668,000	71,437
Underground storage	450,000	167,680
Tennis courts	1,047,000	49,906
Total	$29,085,800	$19,616,368

E. Retainage Payable

At June 30, 1999, $565,867 was held by the College as retainage on ongoing projects for work that had been performed. The retainage will be remitted to the contractors upon satisfactory completion of the project.

5. 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 become part of the General Fund of the Commonwealth and are, therefore, no longer available for disbursements.

During the year ended June 30, 1999, the College received the following supplemental appropriations in accordance with the Appropriation Act of 1998, Chapter 464, Acts of Assembly.

	Unrestricted	Restricted
Original legislative appropriation	$ 13,706,999	$ 846,030
Supplemental appropriation	78,993	-
Appropriation reduction for Equipment Trust Fund	(169,174)	-
Adjusted appropriations	$ 13,616,818	$ 846,030

6. 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 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.

Full-time faculty and certain administrative staff participate in a retirement annuity program through TIAA/CREF Insurance Companies rather than the VRS. This is a fixed contribution program where the retirement benefits received are based upon the employer's (10.4 percent) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both Mary Washington College and the employee's contributions. Total pension costs under this plan were approximately $465,380 and $424,903 for fiscal years 1999 and l998. Contributions to these plans totaled $4,474,809 and $4,125,884, respectively.

7. MARY WASHINGTON COLLEGE FOUNDATION, INCORPORATED

Assets of the Mary Washington College Foundation, Incorporated, which is separately incorporated and managed by its own Board of Trustees, are not included in the statements. The following table summarizes the financial position of the Foundation at June 30, 1999, taken from the Foundation's audited statements.

Assets	$6,552,391
Liabilities	$ 359,364
Fund balance	6,193,027
Total liabilities and fund balance	$ 6,552,391

The aggregate revenues and expenses of the Foundation were $1,041,607 and $869,362, respectively, for the year ended June 30, 1999.

8. SURETY BOND

The College's employees are covered by a Faithful Performance Duty Bond administered by the Commonwealth of Virginia's Department of General Services, Division of Risk Management with liability limits of $500,000 for each occurrence. Information relating to the Commonwealth's self-insurance plans is available at the statewide level in the Commonwealth of Virginia's Annual Financial Report.

9. SUBSEQUENT EVENTS

Virginia College Building Authority, Series 1999A, issued $1,055,000 to replace tennis courts with the balance payable in annual installments from $25,000 to $85,000, with interest of 3.75 to 5.78 percent payable semiannually, and with the final installment of $85,000 due September 1, 2019.

10. RESTATEMENT OF PRIOR YEAR BALANCES

Beginning fund balances have been adjusted as follows:

	Unexpended Plant Funds
Fund balance June 30, 1998, as previously reported	$ 798,487
Decrease to record general obligation bond	(120,923)
Fund balance July 1, 1998, as adjusted	$ 677,564

MARY WASHINGTON COLLEGE
SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES AND EXPENSES
For the Year Ended June 30, 1999

	Dining Services	Telecom-munications	Residence Halls	Health Center	Bookstore	Brompton
Revenues:						
Student fees	$ 5,276,525	$ 850,492	$ 4,265,072	$ 846,807	$ -	$ 28,640
Interest income	-	-	-	-	-	-
Miscellaneous	-	-	2,667	668	-	-
Sales and services	-	(451)	-	-	2,381,931	-
Total revenues	5,276,525	850,041	4,267,739	847,474	2,381,931	28,640
Expenditures:						
Expense of operation:						
Personal services	-	340,415	1,150,059	268,881	245,698	(1,729)
Fringe benefits	-	93,533	213,998	63,803	41,406	-
Contractual services	3,175,113	435,637	2,993,983	25,204	140,283	16,667
Supplies and materials	27,532	24,025	224,559	115,017	1,601,060	16,686
Equipment	9,955	17,672	115,941	9,461	20,171	298
Total expenditures	3,212,600	911,282	4,698,540	482,365	2,048,618	31,922
Excess (deficiency) of revenues over (under) expenditures before transfers	2,063,926	(61,241)	(430,801)	365,109	333,313	(3,282)
Transfers:						
Mandatory transfers:						
Annual sinking fund	-	537,293	-	-	-	-
Net increase (decrease) in fund balances	$ 2,063,926	$ (598,534)	$ (430,801)	$ 365,109	$ 333,313	$ (3,282)
Fund balance at beginning of year						
Fund balance at end of year						

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

	Student Activities	Collegiate Athletics	Other	Total
	$ 457,779	$ 925,775	$ 1,284,456	$ 13,935,545
	77	-	231,180	231,256
	1,351	2,370	74,320	81,375
	1,568	7,836	138,007	2,528,892
	460,775	935,981	1,727,962	16,777,068
	402,327	578,136	1,222,156	4,205,944
	73,893	136,093	290,712	913,439
	114,385	381,631	256,510	7,539,412
	69,337	73,640	85,132	2,236,987
	33,614	11,645	33,465	252,221
	693,556	1,181,145	1,887,976	15,148,004
	(232,782)	(245,164)	(160,014)	1,629,064
	267,402	-	-	804,695
	$ (500,184)	$ (245,164)	$ (160,014)	824,368
				1,876,318
				$ 2,700,687

MARY WASHINGTON COLLEGE
Fredericksburg, Virginia