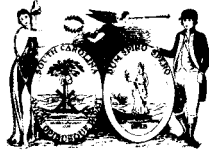


THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA

Intercollegiate Athletics Program

Year Ended June 30, 2003

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

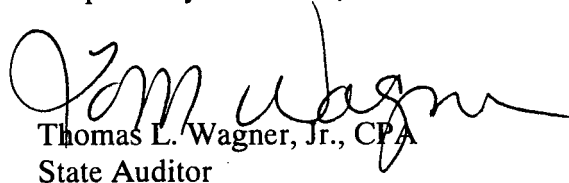
January 6, 2004

The Honorable Mark Sanford, Governor
and
Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and the statement of revenues, expenditures, and transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program for the fiscal year ended June 30, 2003, was issued by Cherry, Bekaert & Holland, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA**

Intercollegiate Athletics Program

Table of Contents
Year Ended June 30, 2003

	Page
Independent Accountants' Report on Applying Agreed-Upon Procedures	1-4
Statement of Revenues, Expenditures, and Transfers	5-6
Notes to Statement of Revenues, Expenditures, and Transfers	7
Selected Cash Receipt Items	8
Selected Cash Disbursement Items	9



Independent Accountants' Report On **Applying Agreed-Upon Procedures**

Mr. Thomas L. Wagner, Jr. CPA
State Auditor
Office of the State Auditor
1401 Main Street Suite 1200
Columbia, South Carolina 29201

MG John S. Grinalds, USMC (Ret.)
President
The Citadel
171 Moultrie Street
Charleston, South Carolina 29409

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor and the Board of Visitors and management of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program solely to assist The Citadel in complying with NCAA Bylaw 6.2.3.1 for the fiscal year ended June 30, 2003. Management is responsible for The Citadel's compliance with the requirements of NCAA Bylaw 6.2.3.1 and supporting financial records and those internal controls related to compliance. This agreed-upon procedures engagement was conducted in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for either the purpose for which this report has been requested or for any other purpose. The procedures and associated findings are as follows:

1. We obtained from The Citadel's accounting manager the Statement of Revenues, Expenditures and Transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program, for the year ended June 30, 2003, as prepared by the accounting department of The Citadel and shown as Attachment A in this report. We recalculated the addition of the amounts on the statement, traced the individual line item amounts from the financial statements to management's worksheets and compared the amounts on management's worksheets to The Citadel's general ledger. We found no exceptions as a result of these procedures.

2. We obtained from management a list of all outside organizations not under the accounting control of The Citadel. Such an organization has as its principal or one of its principal purposes the generation of resources for or on behalf of The Citadel's Intercollegiate Athletics Program or the promotion of the program. Management included one outside organization, The Brigadier Foundation on the list.
3. We obtained copies of The Brigadier Foundation's financial statements for the fiscal year ended June 30, 2003. We confirmed the \$890,000 received from the Brigadier Foundation listed on the Statement of Revenues, Expenditures, and Transfers on Attachment A as restricted contributions directly with responsible officials of the Brigadier Foundation. We found no exceptions as a result of these procedures.
4. We requested from the accounting manager a list of all expenditures made directly by the respective outside organizations (not under the accounting control of The Citadel) for or on behalf of The Citadel's Intercollegiate Athletic Program or employees. The accounting manager indicated there were no expenditures made directly by any outside organization.
5. We scanned additions to unrestricted current, restricted current, endowment, and plant fund accounts on The Citadel's general ledger for additions related to its intercollegiate athletics programs. We found one such addition for \$37,500 based on the account descriptions in the general ledger. We obtained and read correspondence from the donor and compared the amount per the correspondence with the amount recorded in the general ledger of The Citadel. We found no exceptions as a result of our procedures. We obtained and read the footnote disclosure relating to this addition in a footnote to the Statement of Revenues, Expenditures and Transfers on Attachment B to determine if the information presented in the footnote agreed with The Citadel's accounting records and found them to be in agreement. The transaction was excluded from the Statement of Revenues, Expenditures and Transfers of the Intercollegiate Athletics Program in accordance with the requirements found on page four of the NCAA Financial Audit Guidelines. We found no exceptions as a result of the procedures.
6. We scanned the intercollegiate athletic program contribution revenue accounts detail of the general ledger to identify each individual contribution received directly that constituted more than ten percent of all contributions received for intercollegiate athletics. As a result of our procedures, we found one such contribution in the amount of \$890,000. We obtained a copy of the remittance advice from the donor to determine that its source and value were disclosed in a footnote to the statement. We compared the description of the contribution from the supporting documentation to the classification in the footnote on Attachment B. We found no exceptions as a result of the procedures.

7. We obtained from management the general ledger activity for all cash receipts related to intercollegiate athletics. We selected fifteen cash receipts from the total receipts for intercollegiate athletics. We then compared the recorded cash receipt amount to the amount on the Cash Receipt Form prepared by the athletic department and submitted along with the cash to the treasurer's office. See attachment C to this report for a summary of items tested. We found no exceptions as a result of the procedures.
8. We asked management to describe specific elements of The Citadel's internal control over financial reporting unique to the Intercollegiate Athletics Program's accounting system and financial reporting.
 - a We multiplied the number of students enrolled per the Registrar's office by the published athletic fee per student per semester of \$456 and compared this amount to the amount recorded on the Statement of Revenues, Expenditures and Transfers. The difference was \$9,283.
 - b We obtained a copy of the football ticket sales report prepared by the internal auditor. This report contains a reconciliation of tickets printed, tickets sold and unused ("deadwood") tickets. We selected the east and west side ticket sales reconciliations from this report and compared the total tickets on these reconciliations to the total tickets on the ticket reconciliations prepared by the Athletic Department for the Delaware, Western Carolina and Chattanooga home football games. We recalculated the mathematical accuracy of the reconciliation prepared by the internal auditor. We found no exceptions as a result of the procedures.
 - c We selected a sample of twenty-four recorded expenditures for salaries and benefits, game guarantees, team and employee travel, other professional services, sports medicine allocation and scholarships and grants from the general ledger. We compared the classification of the selected expenditures in the statement on Attachment A to the classifications permitted by NCAA Guidelines as stated in the NCAA Audit Legislation. For the selected expenditures we obtained the related disbursement package to determine the items required by The Citadel's procurement policy were included and that the expenditure had been authorized in accordance with The Citadel's procurement policy. The items selected and procedures performed are included as Attachment D. We found no exceptions as a result of the procedures.
9. We obtained and read guarantee contracts for all football, basketball, and baseball games during the year ended June 30, 2003. We compared the contract revenues to recorded revenues in the Intercollegiate Athletics Program series of accounts in the general ledger. We also compared the football, basketball and baseball expenditures per the contracts to expenditures recorded in the expenditure accounts in the Intercollegiate Athletic Program series of accounts in the general ledger. We found no exceptions as a result of the procedures.

10. We obtained a schedule of athletic department salaries from management. We compared the amounts listed on the schedule to amounts recorded in the general ledger and on The Statement of Revenues, Expenditures and Transfers. We calculated the related fringe expenditures using The Citadel's fringe benefit rate of 27% and compared the amounts calculated with reported expenditures in the appropriate general ledger accounts. We identified no exceptions as a result of the procedures.
11. We asked the accounting manager to explain The Citadel's method for allocating overhead to the athletic programs. The accounting manager told us that overhead is not allocated within the athletic department among programs. We compared the treatment of overhead as described to us with the treatment described in a footnote to the Statement of Revenues, Expenditures and Transfers. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance with NCAA Bylaw 6.2.3.1 or the expression of an opinion on the Statement of Revenues, Expenditures and Transfers Intercollegiate Athletic Program of The Citadel for the year ended June 30, 2003 and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance described in paragraph one and procedures one through eleven of this report. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of the South Carolina State Auditor and the Board of Visitors and management of The Citadel, The Military College of South Carolina, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Beaufort, South Carolina
December 16, 2003

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA

Statement of Revenues, Expenditures and Transfers
Intercollegiate Athletic Program
For the Year Ended June 30, 2003
(Unaudited)

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>Non- Program Specific</u>	<u>Total</u>
Revenues:					
Ticket sales	\$ 508,079	\$ 52,021	\$ 41,146	\$ -	\$ 601,246
Game guarantees	625,000	40,000	9,814	-	674,814
Program sales	8,805	1,776	2,458	-	13,039
Promotions	18,451	1,000	55,804	81,793	157,048
Concessions	22,518	9,626	10,344	15,348	57,836
Student activity fee	466,628	179,222	460,118	628,949	1,734,917
Entry fees	-	-	4,861	-	4,861
Mailing and handling	-	-	-	5,142	5,142
Coach's rental car payments	5,280	1,290	1,440	-	8,010
Contributions - unrestricted	14,225	14,600	11,057	62,158	102,040
Contributions - restricted	467,694	96,508	506,298	-	1,070,500
Advertising	30,570	6,078	2,325	1,375	40,348
SOCON/NCAA distributions	-	-	-	113,072	113,072
Broadcast rights	-	-	-	6,000	6,000
Rental income	-	-	-	44,864	44,864
Parking fees	-	-	-	66,332	66,332
Other revenue	-	-	-	11,565	11,565
Total revenues	<u>2,167,250</u>	<u>402,121</u>	<u>1,105,665</u>	<u>1,036,598</u>	<u>4,711,634</u>
Transfers in for scholarships					
From Unrestricted Gift Funds	-	-	259,694	-	259,694
From the Daniel Fund	100,000	-	-	-	100,000
From the Turner Fund	242,316	70,637	110,877	-	423,830
Transfers in for operations					
From the auxiliary enterprises	-	-	-	1,075,145	1,075,145
Total transfers in	<u>342,316</u>	<u>70,637</u>	<u>370,571</u>	<u>1,075,145</u>	<u>1,858,669</u>
Total sources of all funds	<u>\$ 2,509,566</u>	<u>\$ 472,758</u>	<u>\$ 1,476,236</u>	<u>\$ 2,111,743</u>	<u>\$ 6,570,303</u>

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA

Statement of Revenues, Expenditures and Transfers
Intercollegiate Athletic Program
For the Year Ended June 30, 2003
(Unaudited)

	Football	Basketball	Other Sports	Non- Program Specific	Total
Expenditures:					
Salaries and benefits					
Coaches	\$ 572,780	\$ 219,993	\$ 564,790	\$ -	\$ 1,357,563
Other	-	-	-	772,027	772,027
Prospect travel	40,811	8,839	14,690	-	64,340
Team travel	261,140	70,242	292,363	-	623,745
Team entry fees	-	-	19,073	-	19,073
Employee travel	33,458	23,347	37,673	8,655	103,133
Food services	11,896	1,098	2,080	22,040	37,114
Game guarantees	52,500	9,609	11,000	-	73,109
Event staff	27,300	20,012	5,378	75	52,765
Advertising	-	-	176	16,566	16,742
Printing	56,742	7,251	6,393	61,086	131,472
Repairs	677	208	1,248	11,022	13,155
Other contractual services	14,509	115	31,726	21,857	68,207
Laundry	1,588	191	2,548	16,685	21,012
Freight	5,055	3,045	1,097	5,312	14,509
Photography	25	210	138	3,435	3,808
Commissions	1,903	-	-	1,000	2,903
Maintenance contracts	-	-	-	7,116	7,116
Officials	22,483	30,091	26,158	-	78,732
Physician fees	10,292	3,128	4,682	-	18,102
Bank fees	-	-	-	3,691	3,691
Other professional services	-	-	-	151,702	151,702
Telephone	21,331	6,091	19,913	19,624	66,959
Other utilities	-	-	3,996	37,621	41,617
Awards	2,197	-	9,382	-	11,579
Postage	-	-	239	24,452	24,691
Other supplies	178,277	28,418	180,985	108,800	496,480
Other fixed charges	448	12,666	4,248	60,950	78,312
Insurance	12,000	4,000	3,761	41,398	61,159
Dues	440	1,010	2,460	6,440	10,350
Overhead allocation	-	-	-	242,054	242,054
Registration fee	276	1,931	2,474	699	5,380
Equipment rental	524	-	5,217	23,316	29,057
Equipment	-	-	-	7,055	7,055
Admission tax	23,878	2,417	1,932	-	28,227
Scholarships and grants	810,010	167,145	876,868	-	1,854,023
Total expenditures	<u>2,162,540</u>	<u>621,057</u>	<u>2,132,688</u>	<u>1,674,678</u>	<u>6,590,963</u>
Transfers out for debt service	-	-	-	4,524	4,524
Total uses of all funds	<u>2,162,540</u>	<u>621,057</u>	<u>2,132,688</u>	<u>1,679,202</u>	<u>6,595,487</u>
Excess of sources of funds over (under) uses	<u>\$ 347,026</u>	<u>\$ (148,299)</u>	<u>\$ (656,452)</u>	<u>\$ 432,541</u>	<u>\$ (25,184)</u>

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA**

Notes to Statement Revenues, Expenditures and Transfers
Intercollegiate Athletic Program
Year Ended June 30, 2003
(Unaudited)

Note One - Allocation of Overhead

The Citadel prepares an annual study of overhead charged to its auxiliary activities. The overhead charge to the athletic department is derived from that study. The Citadel does not allocate overhead to individual athletic programs. Rather, overhead is allocated to the department as a whole. The study is reviewed as part of the college's financial audit and is comprised of an allocation of various institutional costs.

Note Two - Contributions

The Citadel received one contribution from an outside organization that exceeded ten per cent of all contributions to the athletic department during the year ended June 30, 2003. The contribution was received from the Brigadier Foundation in the amount of \$890,000 and is restricted to scholarships.

Note Three - Altman Athletic Center Gift

The family of Mr. William M. Altman, Jr. gave \$700,000 to The Citadel in fiscal year 1999 and pledged an additional \$300,000 to help fund the construction of an end zone facility in the football stadium. The pledge was to be paid in equal quarterly installments over four years. The Citadel received \$37,500 as the final installment on this pledge in fiscal year 2003. The gift is recorded in the unexpended plant funds of The Citadel.

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA**

Selected Cash Receipt Items
For the Year Ended June 30, 2003

<u>Item</u>	<u>Amount</u>
Sale of Football Programs	\$ 1,088.00
Ortho Specialties	1,375.00
Sale of Basketball Programs	159.50
Basketball Gate Receipts	898.00
City of Charleston	400.00
Basketball Gate Receipts	298.00
Baseball Gate Receipts	3,171.00
Southcoast	1,500.00
Hanckle Marine	200.00
Basketball Gate Receipts	829.00
Football Team Trip Reimbursements	2,380.00
NCAA Distribution	1,450.00
USAA	700.00
Tennis Fund Raiser	1,695.00
Lowcountry Hotel	200.00
	<hr/>
	\$ 16,343.50
	<hr/> <hr/>

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA**

Selected Cash Disbursement Items
For the Year Ended June 30, 2003

<u>Item</u>	<u>Amount</u>
ARA Mark	\$ 6,417.43
Albert E. Schierholt	550.00
ETIX.com	5,070.51
Citadel Print Shop	2,208.24
Citadel Print Shop	44,509.15
Eugene G. Hartleb	525.00
Alltell Communications	1,239.17
The Sportsman Shop	16,183.48
Fred Williams D/B/A New Trend Media	5,300.00
Gateway Companies	761.07
Sand Creek	6,430.00
Ashley Bakery	80.00
Danny Lewis	313.00
Tennico of Columbia	500.00
Comfort Inn Riverview	248.50
Eugene Ervin Noonan	3,000.00
Exxon/GECC	144.85
Benjamin Broadwater	136.13
National Rifle Association	75.00
SCISOA	225.00
Associated Posters Inc.	2,068.99
Citgo Petroleum	27.80
Coastal Operations LLC	300.00
Riley and Associated Inc.	568.78
	<hr/>
	<u>\$ 96,882.10</u>