

**VIRGINIA STATE UNIVERSITY
PETERSBURG, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1998**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of **Virginia State University** for the year ended June 30, 1998, found:

- the financial statements are presented fairly, in all material respects;
- no material weaknesses in the internal control structure; however, we did find certain matters that we consider reportable conditions;
- instances of noncompliance that are required to be reported; and,
- corrective action of prior audit findings, except for the findings listed on page 3 and detailed on pages 4 through 7.

Our audit findings include the following issues that we explain in detail in the section “Internal Control and Compliance Findings and Recommendations.” The University should:

- Strengthen procedures in its Office of Information Technology to reduce the risk of unauthorized access to information and protect its information technology resources.
- Improve grant activity management to ensure that grants are not overspent and that budget information is accurately reflected in the accounting system.

- TABLE OF CONTENTS -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Report on Compliance and on Internal Control Over Financial Reporting

INTERNAL CONTROL AND COMPLIANCE FINDINGS
AND RECOMMENDATIONS

FINANCIAL STATEMENTS:

Balance Sheet

Statement of Changes in Fund Balances

Statement of Current Funds Revenues, Expenditures, and Other Changes

Notes to Financial Statements

SUPPLEMENTARY INFORMATION:

Schedule of Auxiliary Enterprises Revenues, Expenditures, and Changes
in Fund Balances

UNIVERSITY OFFICIALS

May 14, 1999

The Honorable James S. Gilmore III
Governor of Virginia

The Honorable Richard Holland
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
Virginia State University

We have audited the accounts and records of **Virginia State University** as of and for the year ended June 30, 1998, and submit herewith our complete reports on financial statements and compliance and internal controls.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We have audited the balance sheet of **Virginia State University** as of June 30, 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. The 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 Virginia State University as of June 30, 1998, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying "Schedule of Auxiliary Enterprises Revenues, Expenditures, and Changes in Fund Balances" 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, 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 Virginia State University as of and for the year ended June 30, 1998, 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. We also determined the status of audit findings contained in our prior report.

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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the section entitled, "Internal Control and Compliance Findings and Recommendations."

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. 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 University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the section entitled, "Internal Control and Compliance Findings and Recommendations."

We believe none of the reportable conditions described above are 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Status of Prior Findings

The University has not taken adequate corrective action with respect to the previously reported findings listed below. Accordingly, we included these findings in the section entitled, "Internal Control and Compliance Findings and Recommendations."

- Complete Implementation of Information Security Plan
- Develop a Business Plan for Auxiliary Enterprises

The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

We discussed this report with management at an exit conference held on June 17, 1999. This report is for the information of the Governor and General Assembly, Board of Visitors, audit committee, management, and the people of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Status of Information Systems Projects

The University implemented Student Information System Plus in January 1999 with no major problems. It includes the following sections:

- Billing
- Registration
- Admission
- Faculty Module
- Classroom Assignments

The University also purchased the additional modules of Housing, FAM Plus (Financial Aid) and World Wide Web access. The Housing module is in the testing phase, but no planned implementation date has been determined. The vendor upgraded the FAM Plus module for new federal regulations and implemented it in May 1999.

The University should incur significant cost savings, once it completes implementing the FAM Plus module, because it will no longer need to operate two systems, SAFE and FAM Plus, to process student financial aid information. The World Wide Web access module will allow students and faculty advisors to access information through the Internet. The University has yet to implement this module because of problems found with the software.

During early fiscal year 1999, the University installed a new operating system on their mainframe, which houses the University's critical applications. This operating system is the new VSE/ESA release that is Year 2000 compliant.

Complete Implementation of Information Security Program

The University has not completed the implementation of an information security program appropriate for its information technology environment. The Council on Information Technology Resource Management Standard 95-1 requires that such a program include:

- A business impact analysis that identifies the University's sensitive information systems;
- A risk assessment that identifies the risks to the sensitive information systems and countermeasures required to reduce risks to an acceptable level;
- A contingency management plan that provides for the continuation of critical business functions in the event of disruptions or disasters;
- Implementation of security safeguards based on the risk assessment; and,
- Security awareness and training programs.

The University has completed a Business Impact Analysis and a risk assessment. The University has also developed contingency plans; however, the plans are incomplete. In order to complete the contingency plans, the University should allocate funds for purchase of a “Hotsite,” include an inventory of computer equipment, and include a value to acquire replacement equipment in the event of loss or damage. In addition, the University should include an inventory of telecommunications equipment with arrangements to resume telecommunications in the event of a disaster. Further, once completed, the University should test and review the contingency management plans on a periodic basis.

The University has developed a Security Awareness and Training Program. The program needs to be approved, made mandatory, and documented as part of the University’s written policies and procedures.

The University should continue efforts to complete an information security program appropriate for their technology environment to ensure the integrity of all systems.

Improve Grant Activity Management

The University should improve the monitoring of grant activity. We found the following:

- Project Directors did not monitor budget versus actual expenditures.
- Project Directors did not properly submit budget increases.
- Grants and Contracts personnel are not performing proper closeout procedures on inactive grants with positive cash balances, nor removing inactive grants from the accounting system timely.

The University should closely monitor its grants and ensure the accounting system has accurate budget information. Further, the University should promptly determine the disposition of inactive federal accounts and, based on this review, make repayments or other needed transactions.

Develop a Business Plan for Auxiliary Enterprises

The University needs to develop and adopt a formal business plan for Auxiliary Enterprises. This plan needs to address the long-term strategies that the University plans to follow and should address the following issues.

- Which individual enterprises will remain self-sustaining and those that will support other activities.
- What philosophy management should follow in proposing fees.
- What are adequate operating, capital, and maintenance reserve balances, and the uses of these balances.
- Who has financial oversight and operational responsibilities.

- Under what circumstances will management consider both the contracting or internal operation of an enterprise.
- What should management consider when determining if the University should add or abolish an enterprise.

The University does not have any operating or financial problems with its auxiliary enterprises. However, changes in the Commonwealth's objectives for setting fees and the use of reserves for needed projects indicate the need for a long-term business plan.

The State Council of Higher Education has directed the University to reexamine its methodology for allocating indirect costs to the auxiliary enterprises. The University has developed a work plan that strategizes an approach to developing a cost allocation method.

The University has identified funds to recruit for a cost accountant and Associate Vice-President for Faculties and Services who would lead the complete, comprehensive review of auxiliary enterprises and help develop long-term strategies, policies, and procedures. Furthermore, the Director of Purchasing is working with the Dean of the School of Business to have business plans developed for auxiliary enterprises and support services as a class project for Fall 1999. The University should continue its efforts to follow through with these plans.

Purchase and Implement an Adequate Traffic System

The University needs to purchase and implement an adequate traffic management system. We found the following weaknesses in the University's current traffic system.

- It does not interface with the Billings and Receivable system or the accounting system.
- No one reconciles the information keyed into the traffic system by the dispatcher and the information keyed into the accounting system by the Cashier's Office.
- There is no aging of receivables.
- There was no documentation to substantiate the year-end parking receivables.

The University should ensure that the traffic system interfaces with the Billings and Receivables system and the accounting system, and ages receivables. Staff should reconcile the accounting and traffic management systems and retain proper documentation for the year-end receivables.

Improve Reconciliation Process

The University's reconciliation process is very inefficient. It takes staff up to three weeks to complete monthly reconciliations due to the high quantity of reconciling items. An outdated Commonwealth's Accounting and Reporting System (CARS) interface, timing, or other valid differences that the system cannot easily identify cause most reconciling items. For the expenditure reconciliations, documentation was insufficient to determine if there was a proper disposition of all reconciling differences or that the reconciliation included all account balances in the analysis.

University personnel should retain adequate support for the reconciliation of all financial information. The University should allocate funds to update and correct the interface with the Commonwealth's Accounting and Reporting System and develop a mechanism that would easily identify timing or valid differences. These improvements would help to ensure a more efficient and less time consuming reconciliation process.

Properly Record and Support NCAA Activity

The Athletic Department did not provide adequate supporting documentation for athletic receipts. In addition, the Athletic Department did not report Virginia State University Booster Club gifts and contributions on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (the Schedule). Therefore, we could not perform certain agreed-upon procedures required by NCAA audit guidelines and the Schedule understates revenues and expenditures by \$9,522.

The Athletic Department should retain and provide all documentation supporting receipts. In addition, the Department should report all gifts and contributions to ensure accurate financial reporting. University policy requires any University school, department, or program that receives a monetary gift to forward the gift the same day to the Development Office for recording, deposit, and acknowledgement. The Athletic Department should follow this policy.

COMPLIANCE MATTERS

Reconcile Financial Aid Programs

General Accounting and Financial Aid did not reconcile all financial aid programs between the financial aid, student accounts receivable, and general ledger systems on a monthly basis. The University only completed year-end reconciliations five months after year-end. For the Direct Loan Program, out of total disbursements of \$15,326,581 the University could not explain a difference of \$293,667 between the general ledger and both the financial aid and the student accounts receivable systems. For Federal Work-Study, out of total disbursements of \$540,658, the University could not explain a difference of \$343 between the financial aid and student accounts receivable system. Management should require monthly reconciliations for all financial aid programs to determine that amounts on the various accounting systems properly reflect the disbursements and to facilitate adequate monitoring of financial aid funds.

Establish Refund Policy For Unofficial Withdrawals

The University has no procedures to establish a withdrawal date and issue refunds for unofficial withdrawals by students receiving financial aid. Consequently, the University did not issue refunds and retained the entire amount of financial aid awards for all unofficial withdrawals. The 1997-98 Federal Student Financial Aid Handbook Chapter Three Section 4: Refunds and Repayments states that: "Participating SFA schools are expected to monitor student attendance for the purpose of determining a withdrawal date in case of unofficial withdrawal. The school must demonstrate that the student has remained in academic attendance through a specified point in time. The school's determination must be based on an event that the school routinely monitors and must be confirmed by an employee of the school. If these conditions are met, the following are acceptable forms of such documentation: exams, records of attendance, tutorials, computer-assisted instruction, counseling, academic advisement, or study groups." The University should establish procedures for the purposes of determining a withdrawal date for unofficial withdrawals and issue refunds to students receiving student financial aid.

VIRGINIA STATE UNIVERSITY
BALANCE SHEET
As of June 30, 1998

A S S E T S	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds	Agency Funds	Total
	Unrestricted	Restricted					
Cash and cash equivalents (Note 2)	\$ 5,207,147	\$ 745,222	\$ 229,190	\$ -	\$ (1,178,557)	\$ 1,002,059	\$ 6,005,061
Cash and investments with trustees (Note 2)	1,952,313	286,241	-	4,004,543	4,364,251	-	10,607,348
Investments held with the Treasurer of VA (Note 2)	404,289	-	-	-	-	-	404,289
Appropriations available	-	192,773	-	-	2,787,419	-	2,980,192
Accounts and loans receivable (Net of allowance for doubtful accounts of \$1,745,368) (Note 4)	559,171	2,747,643	717,104	-	-	1,987	4,025,905
Interest receivable	2,337	4,426	-	3,121	-	-	9,884
Due from other funds (Note 5)	983,530	67,384	-	47,847	279,992	-	1,378,753
Inventories	130,487	5,690	-	-	-	-	136,177
Prepaid expense	202,459	-	-	-	-	-	202,459
Investment in plant (Note 4)	-	-	-	-	128,086,541	-	128,086,541
Equity in Equipment Trust Fund	-	-	-	-	324,899	-	324,899
Other assets	-	-	-	-	64,159	-	64,159
Total assets	\$ 9,441,733	\$ 4,049,379	\$ 946,294	\$ 4,055,511	\$ 134,728,704	\$ 1,004,046	\$ 154,225,667
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 4,179,736	\$ 801,500	\$ 25,336	\$ -	\$ 177,661	\$ -	\$ 5,184,233
Accrued compensated absences	1,867,181	516,736	-	-	-	-	2,383,917
Deferred revenue	730,851	1,266,100	-	-	-	-	1,996,951
Advance from the Treasurer of Virginia	7,000	-	-	-	-	-	7,000
Treasury loan payable (Note 7)	-	-	-	-	1,046,000	-	1,046,000
Due to other funds (Note 5)	286,961	755,829	-	-	335,963	-	1,378,753
Deposits pending distribution	32,922	-	-	-	-	-	32,922
Credit balances - student accounts	275,600	-	-	-	-	-	275,600
Obligations under securities lending (Note 2)	404,289	-	-	-	-	-	404,289
Interest payable	-	-	-	-	84,893	-	84,893
Retainage payable (Note 6)	-	-	-	-	210,098	-	210,098
Bonds payable (Note 8)	-	-	-	-	8,942,382	-	8,942,382
Notes payable (Note 8)	-	-	-	-	3,097,249	-	3,097,249
Capital lease obligation (Note 8)	-	-	-	-	2,372,655	-	2,372,655
Installment purchases (Note 8)	-	-	-	-	172,106	-	172,106
Other liabilities	247,792	-	-	-	632,007	1,004,046	1,883,845
Total liabilities	8,032,332	3,340,165	25,336	-	17,071,014	1,004,046	29,472,893
Fund balances:							
Unrestricted current funds - Undesignated (Note 10)	(1,847,554)	-	-	-	-	-	(1,847,554)
Unrestricted current funds - Board designated (Note 10)	3,008,954	-	-	-	-	-	3,008,954
Unrestricted current funds - HUD loan reserve (Note 10)	248,001	-	-	-	-	-	248,001
Restricted current funds	-	709,214	-	-	-	-	709,214
Loan funds, U.S. Government grants	-	-	631,259	-	-	-	631,259
Loan funds, University - Restricted	-	-	289,699	-	-	-	289,699
Endowment	-	-	-	2,018,564	-	-	2,018,564
Quasi-endowment - Unrestricted	-	-	-	272,237	-	-	272,237
Quasi-endowment - Restricted	-	-	-	1,764,710	-	-	1,764,710
Unexpended plant funds - Unrestricted	-	-	-	-	132,122	-	132,122
Renewals and replacements - Unrestricted	-	-	-	-	2,625,970	-	2,625,970
Retirement of indebtedness - Unrestricted	-	-	-	-	26,777	-	26,777
Net investment in plant - Unrestricted	-	-	-	-	114,872,821	-	114,872,821
Total fund balances	1,409,401	709,214	920,958	4,055,511	117,657,690	-	124,752,774
Total liabilities and fund balances	\$ 9,441,733	\$ 4,049,379	\$ 946,294	\$ 4,055,511	\$ 134,728,704	\$ 1,004,046	\$ 154,225,667

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

VIRGINIA STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 1998

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds			Investment in Plant
	Unrestricted	Restricted			Unexpended	Renewals and Replacements	Retirement of Indebtedness	
Revenues and other additions:								
Unrestricted current funds revenue	\$ 46,982,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State appropriations	-	2,816,368	-	-	-	521,716	424,813	21,822
Federal grants and contracts	-	28,290,414	-	-	101,683	-	-	-
State grants and contracts	-	787,874	-	-	-	-	-	-
Local grants and contracts	-	40,750	-	-	-	-	-	-
Private gifts, grants and contracts	-	288,660	-	307,926	-	-	-	-
Endowment income	-	20,454	-	19,987	-	-	-	-
Investment income	-	3,545	10,583	1,101,760	-	334,377	-	-
Interest on loans receivable	-	-	53,898	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-	-	-	1,082,546
Expended for plant facilities (Including \$1,852,300 charged to current funds)	-	-	-	-	-	-	-	3,206,626
Other sources	-	-	182,179	-	-	48,783	-	-
Total revenues and other additions	46,982,612	32,248,065	246,660	1,429,673	101,683	904,876	424,813	4,310,994
Expenditures and other deductions:								
Educational and general expenditures	33,030,520	31,398,174	-	-	-	-	-	-
Auxiliary enterprise expenditures	11,016,785	246,304	-	-	-	-	-	-
Indirect costs recovered	-	293,278	-	-	-	-	-	-
Administrative costs	-	-	53,855	-	-	-	-	-
Loan cancellations	-	-	8,479	-	-	-	-	-
Expended for plant facilities (Including non-capitalized expenditures of \$548,573)	-	-	-	-	656,950	1,245,949	-	-
Refunded to grantors	-	8,418	-	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-	-	1,082,546	-
Interest on indebtedness	-	-	-	-	-	-	686,939	-
Retirement of plant facilities	-	-	-	-	-	-	-	505,525
Reversions to General Fund of the Commonwealth	-	-	-	-	889	631,122	-	-
Total expenditures and other deductions	44,047,305	31,946,174	62,334	-	657,839	1,877,071	1,769,485	505,525
Transfers among funds - Additions/(Deductions):								
Operating transfer out to primary government	(26,027)	-	-	-	-	-	-	-
Mandatory - debt service	(1,341,511)	-	-	-	-	-	1,341,511	-
Nonmandatory	472,256	169,826	-	(923,556)	42,057	281,816	(25,294)	(17,105)
Total transfers among funds	(895,282)	169,826	-	(923,556)	42,057	281,816	1,316,217	(17,105)
Net increase (decrease) for the year	2,040,025	471,717	184,326	506,117	(514,099)	(690,379)	(28,455)	3,788,364
Fund balances (deficits) at beginning of year as adjusted (Note 9)	(630,624)	237,497	736,632	3,549,394	646,221	3,316,349	55,232	111,084,457
Fund balances at end of year	\$ 1,409,401	\$ 709,214	\$ 920,958	\$ 4,055,511	\$ 132,122	\$ 2,625,970	\$ 26,777	\$ 114,872,821

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

VIRGINIA STATE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 1998

	Unrestricted	Restricted	Total
Revenues:			
Student tuition and fees	\$ 12,962,133	\$ -	\$ 12,962,133
State appropriations	18,009,790	2,623,595	20,633,385
Federal grants and contracts	293,278	27,879,600	28,172,878
State grants and contracts	-	787,874	787,874
Local grants and contracts	-	40,750	40,750
Private gifts, grants and contracts	157,111	288,660	445,771
Sales and services of auxiliary enterprises	14,559,466	-	14,559,466
Sales and services of educational departments	28,636	-	28,636
Endowment income	43,813	20,454	64,267
Investment income	200,348	3,545	203,893
Proceeds-Securities lending	15,345	-	15,345
Other sources	712,692	-	712,692
Total current revenues	46,982,612	31,644,478	78,627,090
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	13,894,234	271,901	14,166,135
Research	455,740	2,818,153	3,273,893
Public service	548,914	3,130,942	3,679,856
Academic support	2,909,824	957,752	3,867,576
Student services	2,607,595	773,261	3,380,856
Institutional support	5,793,534	352,089	6,145,623
Operation and maintenance of plant	6,513,960	523,844	7,037,804
Scholarships and fellowships	306,719	22,570,232	22,876,951
Educational and general expenditures	33,030,520	31,398,174	64,428,694
Mandatory transfer for debt service	41,789	-	41,789
Total educational and general	33,072,309	31,398,174	64,470,483
Auxiliary enterprises:			
Operating expenditures	11,001,780	246,304	11,248,084
Payments-Securities lending	15,005	-	15,005
Mandatory transfers for debt service	1,299,722	-	1,299,722
Total auxiliary enterprises	12,316,507	246,304	12,562,811
Operating transfers to primary government	26,027	-	26,027
Total expenditures and mandatory transfers	45,414,843	31,644,478	77,059,321
Other transfers and additions/(deductions):			
Excess of restricted receipts over transfers to revenue	-	310,309	310,309
Refunded to grantors	-	(8,418)	(8,418)
Nonmandatory transfers	472,256	169,826	642,082
Net increase in fund balances	\$ 2,040,025	\$ 471,717	\$ 2,511,742

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

VIRGINIA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Virginia State University, founded in 1882, is one of two land grant Universities in the state, having been so designated in 1920. As a land grant institution, the University engages in natural resources-related research projects and agricultural extension services. The institution attained University status in 1979. The University offers instructional programs at the graduate and undergraduate levels in science, education, humanities, social science, and business. The University's stated mission is to prepare students to advance intellectually, socially, economically, and politically so they and the University will make significant contributions to the enhancement of society.

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. Since the University is a component unit of the Commonwealth of Virginia, it is included in the Comprehensive Annual Financial Report of the Commonwealth.

B. 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 that may be used for the activities or objectives specified. Separate accounts are maintained for each fund. Funds having 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 for specific purposes by action of the Board of Visitors. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, of which the governing board retains full control to use in achieving any of its institutional purposes.

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. Revenues from current restricted funds are recognized when expenditures are incurred for current operating purposes.

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 income only be utilized. Certain funds within this classification differ from regular endowments in that any portion of the funds may be expended at the discretion of the Board of Visitors.

C. Basis of Accounting

The financial statements of the University have been prepared on the accrual basis except for depreciation expenses relating to capitalized fixed assets which are not recorded. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period and 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.

D. Investments

Investments are recorded at fair market value at June 30, 1998. This is a change in accounting principle from year ending June 30, 1997, whereby investments were valued at cost.

E. Plant Funds

Plant assets consisting of land, building, improvements, equipment, and construction in progress are stated at appraised historical cost or actual cost where determinable. Library books are valued at replacement cost as determined by the State Council of Higher Education. Equipment expenditures are capitalized when the acquisition cost is \$5,000 or greater and the estimated useful life is one year or more. Expenditures for construction in progress are capitalized as incurred and reflected in net investment in plant. No provision is made in the accounts for depreciation of plant assets. Current funds used to finance plant assets are accounted for as expenditures for the normal replacement of movable equipment and library books; mandatory transfers for required provisions for debt service; and transfers of a non-mandatory nature for all other cases.

F. Inventory

Inventory is valued at the lower of cost or market. The inventory held by the University consists of supplies held for consumption.

G. Deferred Revenue

Deferred revenue represents moneys received but not earned as of June 30, 1998. In the Current Unrestricted Fund, deferred revenue represents student tuition and fees received in advance of the academic term. In the Current Restricted Fund, deferred revenue represents federal funds received, but not spent.

H. Accrued Compensated Absences

The amount of leave earned but not taken by University employees is recorded as a liability on the balance sheet. The amount reflects, as of June 30, 1998 all unused vacation leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included.

2. AFFILIATED ORGANIZATION

The Virginia State University Foundation is separately incorporated and managed by its own Board. Assets and liabilities of the Foundation are not included in these statements. The Foundation was organized for fund raising activities, which support the University.

The following is a condensed summary of the financial position of the Foundation as of June 30, 1998. This information is not audited.

ASSETS

Cash and other assets	\$ 458,541
Investments	<u>2,925,981</u>
Total Assets	<u>\$ 3,384,522</u>

LIABILITIES AND NET ASSETS

Total liabilities	\$ 18,625
Total net assets	<u>3,365,897</u>
Total liabilities and Total net assets	<u>\$ 3,384,522</u>

3. CASH AND INVESTMENTS

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 balance sheet and is not categorized as to credit risk. Cash deposits held by the University are maintained in accounts covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. At June 30, 1998, the carrying amount of cash was \$3,826,930.

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. The University may also invest in 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, 1998. 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 composition and categorization of investments held by the University at June 30, 1998, follows:

Description	Category <u>1</u>	<u>Cost</u>	<u>Market Value</u>
Investment:			
U.S. Government Bonds	\$ 1,426,774	\$ 1,426,774	\$ 1,457,799
Corporate Bonds	1,939	1,939	3,105
Cooperate Stock	2,366,859	2,366,859	4,654,373
State Non-arbitrage Program	4,364,251	4,364,251	4,364,251
Money Market Funds	<u>127,820</u>	<u>127,820</u>	<u>127,820</u>
Subtotal	<u>8,287,643</u>	<u>8,287,643</u>	<u>10,607,348</u>
Money Market Funds		<u>2,178,131</u>	<u>2,178,131</u>
Total Investments		<u>\$ 10,465,774</u>	<u>\$ 12,785,479</u>

Investments held by the Treasurer of Virginia represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

4. BALANCE SHEET DETAILS

Accounts Receivable

Unrestricted current funds:	
Student and other receivables (less allowance of \$146,033)	\$ 559,171
Restricted current funds:	
Grants and contracts and other receivables	2,747,643
Loan funds:	
Notes receivable (less allowance of \$1,599,335)	717,104
Agency funds:	
Other receivables	<u>1,987</u>
Total receivables	<u>\$ 4,025,905</u>

Investment in Plant

Land	\$ 267,084
Improvements	8,260,834
Buildings	69,750,623
Equipment	17,261,670
Library Books	11,471,592
Construction in Progress	<u>21,074,738</u>
Total investment in plant	<u>\$ 128,086,541</u>

5. DUE TO/FROM OTHER FUNDS

Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained. Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered.

<u>Receivable Fund:</u>	<u>Payable Fund:</u>			<u>Totals</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Plant</u>	
Unrestricted	\$ -	\$ 647,567	\$ 335,963	\$ 983,530
Restricted	67,384	-	-	67,384
Endowment	47,847	-	-	47,847
Plant	<u>171,730</u>	<u>108,262</u>	<u>-</u>	<u>279,992</u>
Total	<u>\$ 286,961</u>	<u>\$ 755,829</u>	<u>\$ 335,963</u>	<u>\$ 1,378,753</u>

6. RETAINAGE PAYABLE

At June 30, 1998, \$210,098 was held by the University as retainage on various contracts for work which had been performed. The retainage will be remitted to the various contractors upon satisfactory completion of the projects.

7. TREASURY LOAN

The University received a treasury loan of \$1,046,000 for the renovation of Jones Dining Hall to cover expenses. Repayment will be made from the sale proceeds of 9 (c) revenue bonds. (See note 16).

8. LONG-TERM INDEBTEDNESS

Long-term indebtedness at June 30, 1998 consists of the following:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>Total</u>
General Obligation Revenue Bonds:			
Langston Hall Project, Series 1995	4.60-5.10%	2010	\$ 2,230,000
Foster Hall Project, Series 1995	4.60-5.10%	2010	2,000,000
Dorm Renovation Project, Series 1995	4.60-5.10%	2010	2,325,000
Jones Dining Hall Project, Series 1996	5.375%	2016	<u>2,350,000</u>
Total bonds payable			<u>\$ 8,905,000</u>

A summary of future principal requirements of long-term debt as of June 30, 1998, follows:

<u>Year Ending June 30</u>	<u>Total</u>
1999	\$ 505,000
2000	525,000
2001	550,000
2002	575,000
2003	605,000
Later Years	<u>6,145,000</u>
Total principal payments	8,905,000
Add:	
Unamortized premium	<u>40,248</u>
Total	<u>\$8,942,382</u>

Loan From Department of Housing and Urban Development (HUD)

The University entered into a loan agreement with HUD in 1989 to borrow funds to repair seven dormitories. The loan is to be repaid over 30 years at 3 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. At June 30, 1998, the outstanding balance of the loan was \$3,025,600.

A summary of future principal and interest requirements as of June 30, 1998, follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 87,638	\$ 90,116	\$ 177,754
2000	90,287	87,467	177,754
2001	93,016	84,738	177,754
2002	95,828	81,926	177,754
2003	98,724	79,030	177,754
Later Years	<u>2,560,107</u>	<u>817,220</u>	<u>3,377,327</u>
Total	<u>\$3,025,600</u>	<u>\$1,240,497</u>	<u>\$4,266,097</u>

Marriott Note Payable

The University entered into a contract with Marriott Management Services Corp. for the purpose of providing a wide range of food services to the students, faculty, and staff. Marriott has committed to make available to the University the sum of \$514,398 to be expended for remodeling of Jones Dining Hall, Foster Hall Snack Shop, and permanent installation of a kitchen facility in the Pavilion. The contract requires repayment of \$314,398 in quarterly payments excluding interest, which has been imputed at 6.5 percent. The remaining \$200,000 of the investment is amortized through the per meal plan costs and is included in the monthly contractual payments. The University would bear the responsibility of repaying the unamortized balance of both amounts should the contract be terminated prior to the end of its full five year term.

A summary of future principal and interest requirements as of June 30, 1998, follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	<u>\$71,649</u>	<u>\$2,934</u>	<u>\$74,583</u>

Higher Education Equipment Trust Fund Capital Lease Obligation

The University is committed under capital lease agreements with the Virginia College Building Authority (VCBA) in the combined principal amount of \$2,372,655. The agreements entered into in 1994, 1995, 1996, and 1997 will mature in fiscal years 1999, 2001, 2002, and 2003 respectively with interest rates ranging from 3.50 percent to 5.35 percent. Under the terms of the leases, the University is authorized to purchase equipment from an approved list of equipment items in an amount not to exceed the principal amount of each lease. Payment of such purchases are to be reimbursed to the University or directly paid by the VCBA from the VCBA Equipment Trust Fund financed from the proceeds of bonds issued by the VCBA for such purposes. The General Assembly has appropriated from the General Fund of the Commonwealth amounts sufficient to repay principal and interest requirements under the lease agreements.

A summary of future principal and interest obligations as of June 30, 1998, follows:

<u>Year Ending June 30</u>	<u>Capital Lease Obligations</u>
1999	\$ 632,364
2000	595,852
2001	631,935
2002	544,940
2003	<u>248,507</u>
Total principal and interest	2,653,598
Less: Interest	<u>280,943</u>
Total Capital Lease Obligations	<u>\$2,372,655</u>

Installment Purchases

The University has entered into an installment purchase contract to finance the acquisition of copiers. The length of the purchase agreement is for three years, and the interest rate ranges from 4.4 to 5.1 percent. Principal and interest payments of these commitments for fiscal years subsequent to June 30, 1998 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 74,609	\$6,267	\$ 80,876
2000	67,325	2,942	70,267
2001	<u>30,172</u>	<u>459</u>	<u>30,631</u>
Total	<u>\$172,106</u>	<u>\$9,668</u>	<u>\$181,774</u>

9. RESTATEMENT OF BEGINNING FUND BALANCES

During fiscal year 1998, the Commonwealth implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Accordingly, the July 1, 1997, fund balances have been adjusted to report the fair value of investments held at June 30, 1997. The following schedule details these changes.

	<u>Current Funds</u>		<u>Endowment and Similar Funds</u>
	<u>Unrestricted</u>	<u>Restricted</u>	
Balance as of June 30, 1997 as previously reported	\$(1,614,178)	\$160,189	\$3,376,509
Restatement For GASB 31	<u>983,554</u>	<u>77,308</u>	<u>172,885</u>
Fund balance June 30, 1997 as restated	<u>\$ (630,624)</u>	<u>\$237,497</u>	<u>\$3,549,394</u>

10. FUND BALANCES – CURRENT FUNDS – UNRESTRICTED

Virginia State University is a state-supported university of the Commonwealth of Virginia. Virginia law requires that the unexpended cash balance in the educational and general fund be reverted to the state general fund at the end of the fiscal year without provision for accrued expenses. Accruals for accounts payable and leave liability significantly contributed to the negative balance in undesignated fund balance at June 30, 1998.

As of June 30, 1998, unrestricted fund balances totaling \$3,008,954 has been designated by the Board of Visitors for plant replacement, expansion, and improvement. In addition, \$248,001 is a required reserve to the Housing and Urban Development loan.

11. STATE APPROPRIATIONS – CURRENT FUNDS – UNRESTRICTED

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of the biennium, unexpended appropriations that have not been approved for re-appropriation 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 disbursements.

The following is a summary of state appropriations received by the University for the year ended June 30, 1998.

	<u>Current Unrestricted</u>
Original Appropriation	\$17,933,149
Adjustments:	
Agriculture scholarships and fellowships	15,000
Central account distribution	299,246
Reappropriation	316,680
Reversion to the General Fund of the Commonwealth	<u>(554,285)</u>
Adjusted Appropriations	<u>\$18,009,790</u>

12. DIRECT STUDENT LOAN PROGRAM

On July 1, 1995, the University entered the Federal Direct Student Loan Program. This program replaces the Federal Stafford and PLUS Loan Programs which involve a private lender/bank or a guarantee agency. Under the Federal Direct Student Loan Program, students borrow directly from the federal government with the University acting as the processing and delivery point of the funds. At June 30, 1998, federal grant and contract revenue and expenditures for scholarships and fellowships included \$15,376,817 related to this program.

13. COMMITMENTS

Operating Leases

The University is committed under various operating leases for equipment. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expenses for the fiscal year ended June 30, 1998, were \$53,505.

As of June 30, 1998, the University had total future minimum rental payments due of \$7,296 under the above leases for fiscal year 1999.

14. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

Employees of the University are employees of the Commonwealth. The employees participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not Virginia State University, has overall responsibility for contributions to these plans.

Full-time faculty and certain administrative staff participate in Optional Retirement Plans. These retirement annuity programs are through TIAA/CREF, VALIC, Fidelity Investment Insurance Companies and T. Rowe Price. These are fixed-contribution programs where the retirement benefits received are based upon the employer, 5.4 percent, and employee, 5 percent, contributions (all of which are paid by the University) plus interest and dividends.

Individual contracts issued under the plans provide for full and immediate vesting of both the University's and the employee's contributions. Contributions to these programs were calculated using a base salary amount of \$3,307,404. Total pension costs under these plans were approximately \$342,837 for the year ended June 30, 1998.

15. STATE STUDENT LOANS

The University makes loans to qualified students from its Commonwealth of Virginia Student Loan Fund. At June 30, 1998, the balance of the State Student Loan Fund was \$51,955 of cash.

16. SUBSEQUENT EVENTS

On September 16, 1998, the University participated in the issuance of Commonwealth of Virginia General Obligation Bonds, Series 1998, pursuant to Section 9 of Article 10 of the Constitution of Virginia in the amount of \$1,045,000. 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, will generate revenue to repay debt. This debt was incurred to retire the short term loan received from the Department of Treasury in the amount of \$1,046,000 for Jones Dinning Hall. The composite interest rate on this issuance is 4.5 percent and the debt matures on June 1, 2018.

The University has entered into an installment purchase contract in the amount of \$410,000 to finance the acquisition of mainframe equipment. The length of the purchase agreement is for three years and the interest rate is 4.3 percent.

The University is a defendant in several legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

17. CONTINGENT LIABILITIES

Federal programs in which the University participates were included in the Commonwealth of Virginia's Statewide Single Audit and audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of Circular A-133, all major programs were tested for compliance with applicable grant requirements. The provisions of this Circular do not limit the authority of federal agencies or other federal audit officials to make, or contract for, audits and evaluations of federal financial assistance programs. As a result, final expenditure reports of grants and contracts submitted to granting agencies in current and prior years are subject to audit and adjustment by such agencies.

The University's Federal Perkins Loan Program's cohort default rate exceeded the maximum level set by the U.S. Department of Education (DOE). As a result, the University received provisional certification from the DOE for participation in the Title IV Student Financial Aid Programs for fiscal years 1997 through 1999. Under provisional certification, the University is allowed to operate as if it had full certification; however, it cannot expand its current program. During the period of provisional certification, the participation of the University will be subject to revocation for cause. Also, it is unlikely the University will receive an additional federal capital contribution for the Federal Perkins Loan Program during the provisional certification period. The University will not be denied participation in the Title IV Program solely due to a high default rate.

18. YEAR 2000 COMPLIANCE

The University's work to address the Year 2000 phenomenon includes the following phases:

Awareness – Define the Year 2000 problem and gain executive level support and sponsorship. Establish Year 2000 project team and develop an overall strategy. Ensure that everyone in the University is fully aware of the issue.

Assessment – Assess the Year 2000 impact on the University. Identify priority business activities; inventory and analyze systems supporting these activities, and prioritize their conversion or replacement. Develop contingency plans to handle potential system failures. Identify and secure the necessary resources.

Remediation – Convert, replace, or eliminate selected systems. Modify interfaces.

Testing and Validation – Test, verify, and validate converted or replaced systems. Test the performance, functionality, and integration of these systems and interfaces in an operational environment.

Implementation – Implement converted or replaced systems and interfaces. Implement contingency plans if necessary.

The University has established a task force to oversee specific technical efforts associated with addressing the Year 2000 phenomenon, and to assist with meeting the requirements of the Commonwealth of Virginia. Members of the task force, and others at the University have come together and/or consulted with each other to ensure that the University is properly addressing how the Year 2000 phenomenon might effect its priority business activities. The Year 2000 Task Force sought to ensure that all flows within each priority business activity were properly identified, that individual activity elements which could be impacted were properly addressed to protect the University's interests, and that a reasonable contingency plan was designed.

Priority business activities have been divided into the following two categories and a Year 2000 plan and risk assessment developed:

Instruction and Research – These activities include all instructional and academic support activities and all support systems that are directly affiliated with the admission, registration, and monitoring of student academic performance through graduation.

Student and Public Services – The focus of the university's attention on its student and public services priority business activity is on ensuring the continuous providing of dining, residence halls and a wide variety of other students services, to include athletics, healthcare, student activities, counseling, and cultural activities. The principal focus is on basic services such as heat, electricity, and basic technological support unique to student services. This priority business activity also focuses on the University's role within the community as an important institution within Chesterfield County and the Tri-cities area.

The University's assigned risk factors, as set forth in the Year 2000 plan, represent subjective, but carefully conceived, evaluations of either the preparedness of the University, the preparedness of other agencies within the Commonwealth, or the preparedness of University suppliers and vendors, together with options for actions on part of the University that are currently being exercised.

Funds have been appropriated, for the period of July 1, 1998 through June 30, 2000, by the 1998 General Assembly in the amount of \$410,000 to provide consultative resources and goods and services that are critical and necessary to completing changes, modifications, and replacements that ensure that the Year 2000 phenomenon does not adversely impact the priority business activities of the University. The University expended \$50,000, for the fiscal year ending June 30, 1998, principally on installing a new Year 2000 compliant mainframe computer. The University has also expended approximately \$182,000 and has an additional commitment to spend \$227,000 under a long term contract for systems support and assistance for Systems & Computer Technology Corp. toward the implementation of a new Year 2000 compliant version of the Student Information System.

The University has begun the remediation stage for the two remaining systems conversions that are necessary to ensure that there is no adverse impact on business activities due to the Year 2000 phenomenon. The energies of the management and staff of the University over the next three to five months will be almost exclusively devoted toward completing the conversion to the Year 2000 compliant version of Financial Records System and the implementation of the Year 2000 compliant Student Information System. These efforts will then be immediately followed by attention to putting into place all contingency plans documented in the Year 2000 Plant Summary for Priority Business Activities. Work on the contingency plans will begin approximately in February 1999 and culminate in the Fall of 1999.

19. SURETY BOND

The University's employees were 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 Comprehensive Annual Financial Report.

VIRGINIA STATE UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 1998

	Food Services	Bookstore	Residential Facilities	Parking & Transportation	Tele- Communication	Student Health Services	Student Union & Recreational Facilities	Other Auxiliary Functions	Intercollegiate Athletics	Reserves	Total
Revenues:											
Student fees	\$ 3,634,771	\$ -	\$ 4,890,910	\$ -	\$ -	\$ 418,084	\$ 971,228	\$ 504,778	\$ 1,501,325	\$ 874,352	\$ 12,795,448
Sales and service	39,753	144,653	326,477	167,503	149,707	20,849	13,707	569,164	169,429	-	1,601,242
Interest revenue	-	-	-	-	-	-	-	178,121	-	-	178,121
Total revenues	3,674,524	144,653	5,217,387	167,503	149,707	438,933	984,935	1,252,063	1,670,754	874,352	14,574,811
Operating expenditures:											
Personal services	620	(177)	555,364	59,372	55,320	174,073	376,902	685,078	454,748	-	2,361,300
Employee benefits	316	212	135,249	17,119	13,803	55,505	83,406	197,016	107,819	-	610,445
Contractual services	2,211,220	7,957	1,072,856	(11,872)	195,384	57,208	128,077	222,731	238,299	-	4,121,860
Supplies and materials	21,034	2,671	95,761	(20,772)	273	(503)	7,592	73,903	97,213	-	277,172
Property and improvement	-	-	-	513	-	-	-	360	12,567	-	13,440
Equipment	11,393	-	288,760	107	8,812	3,425	25,907	172,100	16,664	-	527,168
Current charges and obligations	19,004	-	55,526	9,296	-	194	5,886	55,390	53,006	-	198,302
Scholarships	-	3,700	353,432	-	-	-	76,834	252,807	376,139	-	1,062,912
Transfer payments	(231)	(34)	-	-	-	-	-	635	83	-	453
Unemployment compensation	427	-	5,882	-	-	-	168	997	10,752	-	18,226
Individual claims and settlement	230	34	-	-	-	546	-	-	-	-	810
Indirect cost	514,873	3,406	469,770	(10,674)	54,482	59,990	152,152	266,763	297,988	-	1,808,750
Miscellaneous	837	-	-	-	-	-	-	15,110	-	-	15,947
Total operating expenses	2,779,723	17,769	3,032,600	43,089	328,074	350,438	856,924	1,942,890	1,665,278	-	11,016,785
Excess (deficiency) of revenues over (under) operating expenditures before transfers	894,801	126,884	2,184,787	124,414	(178,367)	88,495	128,011	(690,827)	5,476	874,352	3,558,026
Transfers to other funds:											
Mandatory transfers - Debt service	(314,246)	-	(680,894)	(22,882)	-	-	(220,323)	(61,377)	-	-	(1,299,722)
Nonmandatory transfers	(565,951)	(95,000)	(1,394,404)	-	177,576	(177)	0	693,442	(20,826)	892,230	(313,110)
Net increase (decrease) for the year	\$ 14,604	\$ 31,884	\$ 109,489	\$ 101,532	\$ (791)	\$ 88,318	\$ (92,312)	\$ (58,762)	\$ (15,350)	\$ 1,766,582	1,945,194
Fund balances (deficits) at beginning of year	110,661	84,288	(115,646)	(78,075)	(316,179)	166,942	(33,182)	187,400	126,372	1,490,372	1,622,954
Fund balances (deficits) at end of year	\$ 125,265	\$ 116,172	\$ (6,157)	\$ 23,457	\$ (316,970)	\$ 255,260	\$ (125,494)	\$ 128,638	\$ 111,022	\$ 3,256,954	\$ 3,568,148

Note: Auxiliary fund balance at the beginning of the year was adjusted by \$41,096 to properly reflect adjustments made in the accounting system, but omitted from the Auxiliary schedules.

Note: Payment for Securities Lending Transactions in the amount of \$15,345 are included here in "Other Auxiliary Functions" category. These are shown separately on the Statement of Current Fund Revenues, Expenditures, and Other Changes.

VIRGINIA STATE UNIVERSITY
Petersburg, Virginia

June 30, 1998

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