STATUS OF DEFICIT LOAN RECOVERY PLAN

Introduction

Norfolk State University closed fiscal year 1998 with an operating deficit for which the Governor approved a deficit loan totaling $4,098,979 so the University could meet its financial obligations and commitments. State law requires institutions receiving such a loan to develop a plan to eliminate existing deficits and prevent future deficits by implementing appropriate financial, administrative, and management actions. The plan must also include a schedule for repayment of the deficit loan. We reviewed management's deficit recovery plan and believe it adequately outlines measures that will address both the loan repayment and prevent future deficits.

The plan consists mainly of reductions and controls of expenses. Most expense reductions will occur in personnel costs. Other cost-cutting measures include restrictions on travel and other non-personnel service expenses, prevention of budget overrides, and contracting out the operation and management of certain operations.

Management has projected revenues over a five year period using expected student enrollments, anticipated State appropriations, and a revised fee charge structure for students. A contractor has performed a full costing study for auxiliary enterprises to determine amounts needed to cover costs and provide adequate reserves for each auxiliary.

Recovery Plan Progress

The University reports monthly to the Secretary of Finance its financial condition and progress towards repayment of the loan. The reports provide a status on student enrollment statistics, cost-cutting measures, anticipated revenues, and a cash flow analysis to project available cash balances at the end of fiscal year 1999. We have reviewed these reports for the first six months of fiscal year 1999 and make the following observations.

Student Enrollments

Student enrollments for the fall 1998 term exceeded projections by approximately 300 students. Out-of-state enrollments also exceeded projected amounts. The resulting increase in tuition and fee revenues will enable the University to meet its planned expenditure levels for the current year and provide for repayment of a portion of the outstanding deficit loan balance.

The University admissions policy requires first time students to have a 2.0 grade point average. At present, the University has relaxed this requirement and has admitted 22 percent of freshmen with less than the 2.0 average during the Fall 1998 term. Lowering the standard admissions requirement could negatively affect enrollments in future years if students do not maintain satisfactory progress. Management should continue to closely monitor student enrollments and work towards full adherence to its admission standards. Failure to meet expected enrollments will severely impact the success of the recovery plan.

Personnel Reductions

The University has reduced its workforce by eliminating 105 classified and hourly positions, and 11 faculty contract positions. Projected savings from these reductions when compared to the prior year total $3,484,394. Anticipated reductions in the number of adjunct faculty positions did not occur because actual student enrollment exceeded projections.

Adjunct and one-year contract faculty comprises most of the planned reductions in teaching faculty. As the University continues its efforts to consolidate academic programs and to realign existing academic and administrative structures, management must determine the most cost effective faculty mix to provide students with a quality education. During this process, the University should also consider the reduction of regular continuing faculty that could yield bigger savings over time.

Anticipated Revenues and Cash Flows

The University expects to end fiscal year 1999 with a positive cash balance. Management based this projection on the increase in student enrollments as well as increased auxiliary fees over the previous year (31 percent). Student housing occupancy and meal plan revenues also have met projections to date.

Actual cash balances at year end will ultimately depend on the University's ability to collect the revenues it has realized. The University has experienced problems in the past with collecting student revenues. While the University has included a conservative reserve for uncollectible accounts in its recovery plan revenue projections, management must ensure the enforcement of collection policies or the University's cash position may deteriorate.

The University gave students scholarships totaling approximately $267,000 to cover tuition and fees. These students participate in an honors program initiated in prior years. The University expected to identify alternate funding sources for these scholarships and included the funds in their cash flow analysis. The University has not identified a funding source to provide for these payments. If the University cannot find alternate funding sources, management must consider the effect this will have on projected tuition and fee revenues in the recovery plan.

Summary

Management has developed a comprehensive recovery plan that can lead the University back to financial stability. They must continue to closely monitor student enrollments during the upcoming years. Failure to meet projected enrollments will have a severe impact on the success of the plan. Management and the Board of Visitors must continually evaluate the needs and available resources of the University when establishing future budgets and related fees.

INFORMATION TECHNOLOGY STATUS

Background

In February 1998, the University contracted the management and operational responsibilities of its Office of Information Technology (OIT) to an independent contractor. This change occurred as the University faced important information technology issues.

The University had no long-range information technology strategic plan. Without this plan, management could not determine technology needs and related costs into the next century. No strategy existed to address the Year 2000 date problems. Four mission critical administrative computing systems needed modifications or replacement to become Year 2000 compliant: Financial Accounting, Student Information, Admissions and Financial Aid. Also, the University wanted to enhance its network infrastructure to improve academic instruction and student services. Recent financial problems made it difficult to identify a funding source for modification and replacement of these systems.

The independent contractor's scope of services includes formalizing action plans to address these issues in coordination with University senior management. The contract will expire December 31, 2001 with renewal options for a period of four successive years. University management and the contractor have begun to address the issues noted above.

Current Status of Information Systems Projects

The University purchased a Student Information System (SIS) in August 1998 to replace the existing Student Information, Admissions, and Financial Aid Systems. In September 1998, staff began implementing the new SIS and the Project Managers have developed a Project Approach Document that outlines steps necessary to meet a deadline of February 1, 1999 for the Admissions module. The implementation plan proposes to have all system modules in production by July 1999. The University has reported to the State's Century Date Change Initiative (CDCI) Office that it expects to meet all milestones for the remainder of the project. Management has identified adequate funding for this project totaling $2,052,557.

The new Student Information System is Year 2000 compliant. The University has also acquired a Year 2000 compliant vendor upgrade for the existing Financial Accounting system and has begun testing of the system. Management submitted a plan addressing the Year 2000 date problem to the Commonwealth's Council on Information Management, which approved the plan in October 1998.

The University has not started the network infrastructure project. The State legislature has recently approved funding for this project and management is developing an Invitation for Bid to purchase the required components of the system. Because of this delay, the University has fallen significantly behind in its Year 2000 compliance efforts for this project. Management has notified the CDCI Office of this delay and will proceed with the project as funding become available.

Issues Currently Outstanding

Management has not completed a formal strategic plan for information technology. The plan should reflect the current computing environment and the University's future technology goals. Management must also update its information security plan and include all new and modified administrative computing systems. The plan should document security safeguards, security awareness and training, and contingency plans for all information systems.

We include our information systems issues in the section entitled "Internal Control and Compliance Findings and Recommendations." These comments reflect the computing environment at the University through February 1, 1999. As the University addresses these important information technology issues, it should document its decisions into policies and procedures. These policies and procedures will comprise the University's future comprehensive internal control system for information systems.

AUDIT SUMMARY

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

- the accompanying financial statements present fairly, in all material respects, the University's financial position 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;

- internal control matters listed below that we consider to be reportable conditions; however, we do not consider any of these to be material weaknesses;

  Develop an Information Technology Strategic Plan

  Complete a Comprehensive Information Security Program and Contingency Plan

  Adequately Review Changes Made to the Payroll System

- no instances of noncompliance with applicable laws and regulations that are required to be reported; and

- adequate corrective action of prior audit findings except for the matter listed below;

  Complete a Comprehensive Information Security Program and Contingency Plan (formerly entitled "Complete a Risk Analysis, Impact Analysis, and Contingency Plan for All University Information Systems").

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March 12, 1999

The Honorable James S. Gilmore, III
Governor of Virginia

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

Board of Visitors
Norfolk State University

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

INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of Norfolk 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. These financial statements are the responsibility of the University’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Norfolk 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 of Norfolk State University taken as a whole. The accompanying "Schedule of Operations – Auxiliary Enterprises" 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 stated, 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 Norfolk 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.

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 no express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 a material weakness. 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 over financial reporting 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 finding listed below. Accordingly, we included this finding in the section entitled, "Internal Control and Compliance Findings and Recommendations."

- Complete the Security Safeguards and Contingency Plan for All University Information Systems (formerly entitled "Complete a Risk Analysis, Impact Analysis, and Contingency Plan for All University Information Systems")

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

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.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on March 24, 1999.

AUDITOR OF PUBLIC ACCOUNTS

GML:aom
aom:59

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Develop an Information Technology Strategic Plan

Management has not updated its comprehensive strategic plan for information technology to reflect the current computing environment and the University's future technology goals. The complexity of systems operations throughout the University both now and in the future will require a comprehensive strategic plan to successfully serve students, faculty, and staff. New systems implementation will require long lead-time and the competition for information technology resources will continue to increase. The Information Technology Plan is an essential tool to guide the systems development process and plan for future costs.

The State's Council on Information Management has deferred its initial decision to require Institutions to submit new information technology plans by July 1, 1998. Instead, Institutions must update the plans currently on file.

Executive Management and the Office of Information Technology have begun to prepare for technology changes into the 21st century as well as address Year 2000 date issues. They have developed plans to address immediate technology needs as they arise. Management should incorporate these plans into their existing strategy and take the next step to document future technology goals, and continue to monitor the plan's relevance as the computing environment changes.

As the University develops its plan and addresses these important information technology issues, management should document its decisions into policies and procedures. These policies and procedures will comprise the University's future comprehensive internal control system for information systems.

Complete a Comprehensive Information Security Program and Contingency Plan

As noted in prior years, the University has not completed all components of its Information Technology Security Program. The State's Council on Information Management Standard 95-1 provides guidance in establishing such a program. The University has revised its business impact analysis and risk analysis to include the impact and risk associated with its new student information system.

The University still has not completed the implementation of the three remaining components:

- Information technology security safeguards
- Security awareness and training programs, and
- Contingency management plan for all critical applications.

Security safeguards should exist that consider personnel, data classification, access control, and communications security. The University should assess the value of the information it wants to protect and determine the likelihood of a security violation and the cost to implement security measures. The complexity of University information systems along with Internet connections into these systems will require comprehensive policy and procedure that defines who has rights to specific services. Documentation of the expected controls allows management to determine if all controls meet their intended purpose.

The University must develop written policies describing Security Officer job duties, including segregation of programming and production responsibilities. Formal plans should provide the Security Officer and users with continuing information security training. Understanding job duties and providing continuing training programs will ensure that all individuals involved in the management, operation, programming, maintenance, and use of critical information systems are aware of their security responsibilities and how to fulfill them.

Finally, the University has not updated or tested its contingency management plan for information systems. Updating and testing the plan and training the staff will identify and allow for correction of any problems that may exist with the plan. Without such a plan, the University has a great risk of not resuming business activity promptly by either recovering its computing capability or using alternate procedures, should a disaster strike.

Adequately Review Payroll Changes

Supervisory personnel in the Payroll, Personnel, and Comptroller's offices certified changes to the payroll system without comparing all changes to the source documents. Although the supervisors did compare source documents to the payroll system, this procedure would not account for changes made to the system that had no documented support. This inadequate review process allowed the following unsupported and unauthorized changes to be certified:

- The Payroll department could not provide documentation to support 6 changes to a payroll clerk's federal and state exemptions. Further review noted that the payroll clerk had inappropriately changed her own master file record. The department also could not provide documentation to support 3 payroll deduction changes for another payroll clerk.

- For 5 of 16 hourly employees tested, tax exemptions per the payroll system did not agree to the tax forms prepared by the employee.

- One employee had no federal and very little state taxes deducted for a pay period improperly entered into the payroll system.

Also, the Payroll department does not routinely maintain the CIPPS 1006 report as required by the record retention policy. This report shows all changes made to an employee's master file. These reports are necessary to verify payroll changes.

The University should revise its review process for changes made to the payroll system to ensure verification of all changes prior to certification of the payroll. The Payroll department should maintain all required reports in accordance with their records retention policy. These procedures will strengthen controls over payroll processing.

NORFOLK STATE UNIVERSITY
BALANCE SHEET
As of June 30, 1998

	Current Funds			Plant Funds					Total
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	(Memorandum Only)
A S S E T S									
Cash, including temporary investments (Note 4)	$ 1,637,823	$ 522,530	$ 289,073	$ -	$ 577,154	$ -	$ -	$ 385,835	$ 3,412,415
Appropriations available	-	-	-	1,295,013	-	-	-	-	1,295,013
Investments (Note 4)	2,638	-	-	-	407,000	395,890	-	-	805,528
Accounts receivable (Net of allowance for doubtful accounts of $511,534)	828,250	784,344	69,738	757	-	-	-	-	1,683,089
Notes receivable (Net of allowance for doubtful accounts of $2,142,537)	-	-	1,632,509	-	-	-	-	3,109	1,635,618
Due from other funds	217,729	-	-	-	-	-	-	-	217,729
Inventories	51,099	-	-	-	-	-	-	-	51,099
Prepaid expenses	42,258	9,643	-	-	-	-	-	-	51,901
Land	-	-	-	-	-	-	3,252,532	-	3,252,532
Buildings	-	-	-	-	-	-	78,218,203	-	78,218,203
Improvements	-	-	-	-	-	-	26,529,731	-	26,529,731
Equipment	-	-	-	-	-	-	15,662,901	-	15,662,901
Library books	-	-	-	-	-	-	5,851,367	-	5,851,367
Construction in progress	-	-	-	-	-	-	2,219,567	-	2,219,567
Equity in equipment trust fund	-	-	-	-	-	-	1,032,040	-	1,032,040
Total assets	$ 2,779,797	$ 1,316,517	$ 1,991,320	$ 1,295,770	$ 984,154	$ 395,890	$ 132,766,341	$ 388,944	$ 141,918,733
LIABILITIES AND FUND BALANCES									
Accounts payable and accrued liabilities	$ 2,788,860	$ 471,055	$ 3,477	$ 308,583	$ -	$ -	$ -	$ 13,993	$ 3,585,968
Accrued leave	2,854,798	193,095	-	-	-	-	-	-	3,047,893
Deposits and deferred revenue	440,216	-	-	-	-	-	-	-	440,216
Credit balances - student accounts	299,238	-	-	-	-	-	-	-	299,238
Retainage payable	-	-	-	108,737	-	-	-	-	108,737
Due to other funds	-	-	-	217,729	-	-	-	-	217,729
Treasury loans payable (Note 6)	4,198,979	-	-	-	-	-		-	4,198,979
Note payable (Note 5)	-	-	-		-	-	3,135,022	-	3,135,022
Bonds payable (Note 5)	-	-	-	-	-	-	24,771,745	-	24,771,745
Leases payable (Note 5)	-	-	-	-	-	-	2,298,876	-	2,298,876
Funds held in custody for others	-	-	-	-	-	-	-	374,951	374,951
Fund balances (deficits):									
Unrestricted current funds (Note 9)	(7,802,294)	-	-	-	-	-	-	-	(7,802,294)
Restricted current funds	-	652,367	-	-	-	-	-	-	652,367
Loan funds, U.S. Government grants	-	-	1,359,930	-	-	-	-	-	1,359,930
Loan funds, University - Restricted	-	-	627,913	-	-	-	-	-	627,913
Unexpended - Unrestricted	-	-	-	660,721	-	-	-	-	660,721
Renewals and replacements - Restricted	-	-	-	-	407,000	-	-	-	407,000
Renewals and replacements - Unrestricted	-	-	-	-	577,154	-	-	-	577,154
Retirement of indebtedness - Restricted	-	-	-	-	-	395,890	-	-	395,890
Net investment in plant - Unrestricted	-	-	-	-	-	-	102,560,698	-	102,560,698
Total liabilities and fund balances	$ 2,779,797	$ 1,316,517	$ 1,991,320	$ 1,295,770	$ 984,154	$ 395,890	$ 132,766,341	$ 388,944	$ 141,918,733

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

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

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
Revenues and other additions:							
Unrestricted current funds revenues	$ 63,241,717	$ -	$ -	$ -	$ -	$ -	$ -
State appropriation - Restricted	-	3,731,193	-	287,199	249,351	329,708	-
Federal grants and contracts - Restricted	-	36,945,768	6,333	30,410	-	-	-
State grants and contracts - Restricted	-	580,697	-	-	-	-	-
Local grants and contracts - Restricted	-	55,278	-	-	-	-	-
Private gifts, grants, and contracts - Restricted	-	405,037	248	807,257	-	-	-
Investment income - Restricted	-	-	12,888	9,550	-	424	-
Interest on loans receivable	-	-	43,138	-	-	-	-
Expended for plant facilities (Including $866,848 charged to current funds)	-	-	-	-	-	-	3,676,254
Retirement of indebtedness (Including $47,380 charged to current funds)	-	-	-	-	-	-	1,830,490
Other sources	-	100,675	19,812	-	-	-	27,254
Total revenues and other additions	63,241,717	41,818,648	82,419	1,134,416	249,351	330,132	5,533,998
Expenditures and other deductions:							
Educational and general expenditures	47,389,571	40,840,137	-	-	-	-	-
Auxiliary enterprises expenditures	13,354,292	100,630	-	-	-	-	-
Indirect cost recovered	-	428,761	-	-	-	-	-
Loan cancellations, assignments and write-offs	-	-	112,109	-	-	-	-
Administrative and collection costs	-	-	14,643	-	-	-	-
Expended for plant facilities (Including $537,439 not capitalized)	-	-	-	2,736,788	610,057	-	-
Cost of using Foreman Field	-	-	-	145,833	-	-	-
Retirement of indebtedness	-	-	-	-	-	1,783,110	-
Interest on indebtedness	-	-	-	-	-	1,423,076	-
Other deductions	-	-	9,106	-	-	-	-
Refunded to grantors	-	7,128	4,960	-	-	-	-
Total expenditures and other deductions	60,743,863	41,376,656	140,818	2,882,621	610,057	3,206,186	-
Transfers among funds - additions/(deductions):							
Mandatory:							
Debt service	(2,695,365)	-	-	-	-	2,695,365	-
Nonmandatory - (To)/From other funds	(2,315,700)	-	-	2,024,388	116,959	174,353	-
Total transfers among funds	(5,011,065)	-	-	2,024,388	116,959	2,869,718	-
Net increase (decrease) for the year	(2,513,211)	441,992	(58,399)	276,183	(243,747)	(6,336)	5,533,998
Fund balances (deficits) at July 1, 1997, as restated (Note 3)	(5,289,083)	210,375	2,046,242	384,538	1,227,901	402,226	97,026,700
Fund balances (deficits) at June 30, 1997	$ (7,802,294)	$ 652,367	$ 1,987,843	$ 660,721	$ 984,154	$ 395,890	$ 102,560,698

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

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

	Current Funds		
	Unrestricted	Restricted	Total
Revenues:			
Tuition and fees	$ 20,228,141	$ -	$ 20,228,141
State appropriations (Note 10)	25,600,392	3,731,193	29,331,585
Federal grants and contracts	395,302	36,171,520	36,566,822
State grants and contracts	29,449	577,622	607,071
Local grants and contracts	-	52,865	52,865
Private gifts, grants, and contracts	4,620	407,567	412,187
Sales and services of auxiliary enterprises	16,006,351	-	16,006,351
Other sources	977,462	-	977,462
Total current revenues	63,241,717	40,940,767	104,182,484
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	24,087,466	1,202,833	25,290,299
Research	317,945	2,500,081	2,818,026
Public service	370,181	871,667	1,241,848
Academic support	4,440,575	2,230,853	6,671,428
Student services	3,812,844	816,044	4,628,888
Institutional support	9,029,344	130,800	9,160,144
Operation and maintenance of plant	4,664,241	3,120	4,667,361
Scholarships and fellowships	666,975	33,084,739	33,751,714
Educational and general expenditures	47,389,571	40,840,137	88,229,708
Mandatory transfer for debt service	41,676	-	41,676
Total educational and general	47,431,247	40,840,137	88,271,384
Auxiliary enterprises:			
Operating expenditures	13,354,292	100,630	13,454,922
Mandatory transfers for debt service	2,653,689	-	2,653,689
Total auxiliary enterprises	16,007,981	100,630	16,108,611
Total expenditures and mandatory transfers	63,439,228	40,940,767	104,379,995
Other transfers and deductions:			
Deficiency of restricted receipts under transfers to revenue	-	449,120	449,120
Refunded to grantors	-	(7,128)	(7,128)
Nonmandatory transfers to other funds	(2,315,700)	-	(2,315,700)
Net increase (decrease) in fund balances	$ (2,513,211)	$ 441,992	$ (2,071,219)

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

NORFOLK STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Norfolk State University is an institution of higher education and operates under policy guidelines established by the State Council of Higher Education in Virginia and is governed by a Board of Visitors.

A separate report is prepared for the Commonwealth of Virginia which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

B. Basis of Accounting

The University utilizes the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

C. Fund Accounting

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

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

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

A summary of fund group definitions is as follows:

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

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

Plant Funds - Plant funds are divided into four groups: Unexpended, Renewals and Replacements, Retirement of Indebtedness, and Net Investment in Plant. Unexpended plant funds represent funds that are specified by external sources or are designated by the Board of Visitors for the acquisition and construction of physical properties. Renewal and Replacement funds represent funds for the renovation and replacement of physical properties. The Retirement of Indebtedness fund includes resources held for the retirement of both principal and interest on debt and sinking funds established under bond indentures. Net Investment in Plant represents the capitalized value of physical property owned by the University, less associated long-term debt.

Agency Funds - Agency Funds reflects funds held in trust by the University.

D. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out basis) or market. The inventory held by the University consists of expendable supplies held for consumption.

E. Interfund Obligations

Interfund Obligations represent the temporary use of current funds pending reimbursement of expenditures among funds.

F. Net Investment in Plant

Buildings and equipment are stated at appraised value or actual cost where determinable. Land is stated at cost. Construction is capitalized as expended and reflected in Net Investment in Plant. Expenditures for renewals and replacements are capitalized only to the extent that such expenditures represent long-term improvements to properties. Current fund expenditures for equipment are capitalized when the unit acquisition cost is greater than $5,000 and the estimated useful life is two years or more. Library acquisitions are capitalized using average cost per volume that approximates historical cost. The accompanying financial statements include no provision for depreciation of plant assets.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books, (2) mandatory transfers, in the case of required provisions 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 of Virginia for disposition. Proceeds, if any, may be returned to the University.

G. Accrued Leave

Accrued leave reflected in the accompanying financial statements represents the amount of vacation, sick, and compensatory leave earned by employees of the University as of June 30, 1998. The amount represents all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave payout policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

2. AFFILIATED ORGANIZATIONS

The financial statements do not include the assets, liabilities, and fund balances of the Norfolk State University Foundation, Inc. and the Athletic Foundation of Norfolk State University, Inc. The independent certified public accountants had not completed their audit of the Norfolk State University Foundation, Inc. for the year ended June 30, 1998, accordingly, its financial data was not available. The Athletic Foundation of Norfolk State University, Inc. was audited for the year ended June 30, 1998, by independent certified public accountants.

The following is a condensed summary of the audited financial position of the Athletic Foundation of Norfolk State University, Inc.

Assets	$312,778
Fund balance	$312,778

The total revenues and expenditures of this organization were $88,626 and $132,464, respectively.

3. RESTATEMENT OF BEGINNING FUND BALANCES

Certain fund balances reported at June 30, 1997, have been restated to reflect adjustments related to GASB 31 reporting and to remove buildings improperly capitalized in prior years. The GASB 31 adjustments reflect the change in reporting the value of investments from cost to fair market value. Fund balances have been restated as follows:

	Current Unrestricted Funds	Current Restricted Funds	Loan Funds	Investment in Plant Funds
Fund balance at June 30, 1997, as originally reported	$(5,309,537)	$ 210,298	$ 2,024,992	$97,262,053
Restatement for GASB 31	20,454	77	21,250	-
Remove buildings improperly capitalized	-	-	-	(235,353)
Fund balance at July 1, 1997, as adjusted	$(5,289,083)	$ 210,375	$ 2,046,242	$97,026,700

4. 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 accompanying balance sheet and is not categorized as to credit risk. Certain deposits are also held by the University. Deposits with banks and savings institutions are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under this Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits.

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

The University's investments are categorized on the following page 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 would include 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, is as follows:

Temporary Investments	Fair Value
Category 3:	
Repurchase agreement	$ 650,639
Noncategorized:	
Money market	589,374
Total temporary investments	$1,240,013

Investments	
Category 1:	
Repurchase agreement	$ 805,528

	Temporary Investments	Investments
Current Funds:		
Unrestricted	$ 574,874	$ 2,638
Restricted	1,142	-
Loan Funds	240,619	-
Plant Funds:		
Renewals and replacements	-	407,000
Retirement of indebtedness	-	395,890
Agency Funds	423,378	-
Total	$1,240,013	$ 805,528

5. LONG-TERM DEBT

A summary of changes in long-term indebtedness follows:

	Balance July 1, 1997	Additions	Retirements	Balance June 30, 1998
Notes payable	$ 3,009,751	$ 209,962	$ 84,691	$ 3,135,022
Bonds payable	26,138,955	-	1,367,210	24,771,745
Lease purchases	1,505,840	1,124,245	331,209	2,298,876
Total	$ 30,654,546	$ 1,334,207	$ 1,783,110	$30,205,643

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

Notes Payable	
Norfolk State University Dormitory Revenue Note Series 1982, issued $4,300,000, (reduced to $3,912,000 in April 1985, due to early extinguishment of $388,000), payable in semiannual installments varying from $87,251 to $167,988 with interest of 3 percent payable semiannually; the final installment of $85,889 due in 2022. Until the principal of and interest on this note are paid in full, the University is also required, upon completion of the project, to establish from such revenues and maintain a debt service reserve equal to $174,400, accumulated at the rate of at least $21,800 semiannually, and once the debt service reserve has been fully funded an equipment reserve equal to $141,000, accumulated at the rate of $14,100 per year, and a repairs reserve equal to $266,000, accumulated at a rate not to exceed $26,600 per year.	$ 2,925,060
The University acquired the deed of bargain and sale from the City of Norfolk for the Brambleton Center in consideration of 6 full scholarships for the benefit of Norfolk residents. Scholarships payable each year vary from $4,953 to $18,442 with the final payment due in 2019.	209,962
Total notes payable	$ 3,135,022
Bonds Payable	
Student Housing - Residence Hall - Bonds dated 1990, issued $4,005,000 (reduced to $1,255,000 due to December 1993 refinancing and reduced to $875,000 due to January 1996 refinancing), interest of 6.4 percent payable semiannually, the final installment of $175,000 due in 1999.	$ 175,000
East Campus Cafeteria Revenue Bonds Series 1991A, issued $4,055,000 (reduced to $1,655,000 in December 1993 due to refinancing and reduced to $1,440,000 in January 1996 due to refinancing), balance payable in annual installments varying from $170,000 to $200,000 with interest of 5.8 percent to 6.2 percent payable semiannually, the final installment of $200,000 due in 2002.	740,000
Residence Halls Revenue Bonds Series 1991A, issued $9,320,000 (reduced to $3,810,000 in December 1993 due to refinancing and reduced to $3,320,000 in January 1996 due to refinancing), balance payable in annual installments varying from $390,000 to $460,000 with interest of 5.8 percent to 6.2 percent payable semiannually, the final installment of $460,000 due in 2002.	1,695,000
Student Housing - Men's Dormitory Refunding Bonds dated 1993B, issued $724,503, interest of 4 percent payable semiannually, the final installment of $119,149 due in 1999.	119,149

Health and ROTC Buildings Refunded Bonds, dated 1993, issued for $505,820, balance payable in annual installments varying from $414 to $240,414 with interest of 4.3 percent to 4.9 percent payable semiannually, the final installment of $240,414 due in 2004.	242,483
Health and ROTC Building Refunding Bonds, Series 1993B issued for $1,218,578, balance payable in annual installments varying from $182,967 to $210,280 with interest of 4 percent to 4.5 percent payable semiannually, the final installment of $210,280 due in 2003.	983,265
Student Housing - Residence Hall Refunding Bonds, Series 1993B issued for $2,668,285, balance payable in annual installments varying from $21,635 to $338,411 with interest of 4 percent to 5 percent payable semiannually, the final installment of $338,411 due in 2010.	2,588,604
Residence Hall Refunding Bonds Series 1993B, issued for $5,813,068, balance payable in annual installments varying from $42,976 to $794,238 with interest of 4 percent to 5 percent payable semiannually, the final installment of $794,238 due in 2011.	5,653,441
East Campus Cafeteria Refunding Bonds, Series 1993B, issued for $2,530,106, balance payable in annual installments varying from $18,700 to $348,092 with interest of 4 percent to 5 percent payable semiannually, the final installment of $348,092 due in 2011.	2,460,653
East Campus Dormitory Refunding Bonds, Series 1996, issued for $402,484.50, balance payable in annual installments varying from $4,497 to $196,686 with interest of 4.75 percent payable semiannually, the final installment of $196,686 due in 2001.	391,242
Student Housing - Residence Hall Refunding Bonds, Series 1996 issued for $523,429, balance payable in annual installments varying from $4,399 to $495,278 with interest of 4.75 percent payable semiannually, the final installment of $495,278 due in 2003.	512,872
East Campus Cafeteria Refunding Bonds, Series 1996, issued for $229,668, balance payable in annual installments varying from $1,930 to $217,316 with interest of 4.75 percent payable semiannually, the final installment of $217,316 due in 2003.	225,036
Athletic Facility - General Revenue Pledge Bonds 9(d) dated 1996, issued for $9,260,000, balance payable in semiannual installments varying from $285,000 to $690,000 with interest of 3.85 percent to 5.375 percent payable semiannually, the final installment of $690,000 due in 2018.	8,985,000
Total bonds payable	$24,771,745

Leases Payable

The University has entered into lease agreements with the Virginia College Building Authority (VCBA). The agreements are payable over a five-year period with interest of 4.1 percent to 5 percent payable semiannually, principal outstanding totaled $2,298,876. 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 the leases. Payment for such purchases are to be reimbursed to the University or directly paid by the VCBA from the VCBA Equipment Trust Fund financed from proceeds of bonds issued by the VCBA for such purpose. The General Assembly has appropriated, from the General Fund of the Commonwealth, an amount sufficient to repay principal and interest requirements under the leases.

At June 30, 1998, the University had purchased equipment totaling $5,867,923 under the lease agreements.

Total leases payable	$ 2,298,876
Total Long-Term Indebtedness	$30,205,643

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

Year Ending June 30,	Notes and Bonds	Capital Leases	Total
1999	$ 2,838,118	$ 572,205	$ 3,410,323
2000	2,709,816	564,443	3,274,259
2001	2,714,854	606,618	3,321,472
2002	2,697,912	564,030	3,261,942
2003	2,706,490	277,637	2,984,127
Later Years	26,844,128	-	26,844,128
Total	$ 40,511,318	$ 2,584,933	$ 43,096,251
Less interest	(12,604,551)	(286,057)	(12,890,608)
Net	$ 27,906,767	$ 2,298,876	$ 30,205,643

6. TREASURY LOANS PAYABLE

Deficit loan

The University incurred a deficit for the year ended June 30, 1998 in its operating funds. The Governor authorized a deficit loan totaling $4,098,979 to be paid from the General Fund of the Commonwealth to meet the University's current financial obligations and commitments during fiscal year 1998. Management has submitted a plan to eliminate the existing deficit and prevent future deficits pursuant to Section 4-3.02 Acts of Assembly. Repayment of the loan will vary depending on operating funds available at the end of each fiscal year. The University expects to complete the loan repayment by fiscal year ending June 30, 2003.

Anticipation loan

The University received a loan from the Commonwealth for $100,000 to provide initial funding for construction costs associated with the dormitory Sprinkler System Project. The loan is payable in full in August 1998.

7. DEFEASANCE OF DEBT – PRIOR YEARS

During fiscal years 1994 and 1996, certain 1990B and 1991A General Obligation Bonds were defeased by the University. The net proceeds from the sale of those bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 1998, the following amounts of the defeased bonds were outstanding:

1990 Series B	$ 2,830,000
1991 Series A	8,240,000
	$11,070,000

8. COMMITMENTS

At June 30, 1998, the University was committed to construction contracts totaling approximately $2,643,679. Construction in progress on these contracts totaled $2,219,567 at June 30, 1998.

The University is a party to several operating lease agreements for a period of one year which generally have renewal options. Rental expense under operating leases was $527,789 for the year ended June 30, 1998. Commitments for subsequent fiscal years are as follows:

Year Ending June 30,	
1999	$ 366,451
2000	311,542
2001	249,311
2002	249,290
2003	245,729
Later Years	3,689,256
Total	$5,111,579

9. DEFICIT FUND BALANCE - CURRENT UNRESTRICTED FUNDS

The deficit fund balance in the University's Current Unrestricted Fund resulted from actual student enrollments not meeting expected projections for the year. Also, accruals for lag pay and leave liability significantly contributed to the negative balance in unrestricted funds at June 30, 1998.

10. STATE APPROPRIATIONS - CURRENT UNRESTRICTED FUNDS

The Appropriation Act specifies that unexpended appropriations from the General Fund of the Commonwealth shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of the biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor, become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursement.

During the year ended June 30, 1998, the following changes were made to the University's original appropriation, including supplemental appropriations received in accordance with the Appropriation Act of 1997, Chapter 924, Acts of Assembly.

Original Appropriation (Revised Act)	$ 25,235,011
Adjustments:	
Equipment Trust Fund payment	(73,138)
New Human Resource Information System	(52,539)
Personnel Savings	(38,966)
Telecommunications Savings	(7,211)
Computer Savings	(92)
Health Insurance Premium	94,998
Salary Regrade Funding	448,326
Payment from Manville property damage Settlement trust	304
Share of Group Life Insurance	(6,301)
Adjusted Appropriation	$25,600,392

11. STATE STUDENT LOAN FUND

The University makes loans to qualified students from its Commonwealth of Virginia - Student Loan Fund. During the fiscal year, new loans totaling $62,801 were made to 76 students. At June 30, 1998, total loans outstanding were $271,192 and the allowance for doubtful accounts was $83,219. Summarized below is the fund activity of the State Student Loan Fund for the fiscal year ended June 30, 1998:

Beginning fund balance	$ 305,698
Interest income and collection fees	15,946
Loan write-offs and expenses	(45,452)
Ending fund balance	$ 276,192

12. RETIREMENT AND PENSION SYSTEMS

Employees of the University are employees of the Commonwealth. Substantially all full-time classified salaried employees of the University 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 the University, has overall responsibility for contributions to these plans.

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed contribution programs where the retirement benefits received are based upon the employer's 5.4 percent and employee's 5 percent contributions (all of which are paid by the University) and 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. Total pension costs under these plans was $812,426 in fiscal year 1998. Contributions to other retirement plans were calculated using the base salary totaling $7,930,824 in fiscal year 1998.

13. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the state health plan. Information related to these plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

14. LITIGATION

The University has been named as a defendant in a number of legal actions. The final outcome of any of these legal actions cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University may be exposed will not have a material effect upon the University's financial position.

15. YEAR 2000 READINESS

Norfolk State University recognizes the significance of the Century Date Change and the impact Year 2000 may have on its information technology and business infrastructure. The Office of Information Technology and the Project Implementation Team for the Student Information System is working in conjunction with the Commonwealth's legislatively authorized Virginia Century Date Change Office to help address the Year 2000 issue. The University is in the process of replacing the Student Information System and reengineering related business processes to address Year 2000 readiness. In August 1998, the University contracted for a Student Information System to replace the existing system.

The University has identified its Student Information and Financial Accounting Systems as mission-critical and is subjecting those systems and equipment to the following stages of work to address the Year 2000 issues:

- Awareness stage – Establishing a budget and project plan for dealing with the Year 2000 issue.

- Assessment stage – Identifying the systems and components for which Year 2000 compliance work is needed.

- Remediation stage – Making changes to systems and equipment.

- Validation/Testing stage – Validating and testing the changes that were made during the remediation stage.

As of February 1999, the University has completed the Awareness and Assessment stages for all components of their mission-critical systems. They have not completed the Remediation and Validation/Testing stages for these systems. Cost estimates for all the University's Year 2000 readiness projects are $3,218,807.

The University's is also addressing general Year 2000 issues not associated with the new system. The University has identified non-mission-critical systems, non-traditional computing systems, systems that depend on embedded microchips, data exchange requirements, and the University's relationships with outside agencies and vendors. Replacement products for non-mission-critical systems are currently being reviewed. The non-traditional computing systems were found to be primarily non-date dependant.

The University has not updated or tested its contingency management plan for information systems. Without such a plan, the University has a great risk of not resuming business activity promptly by either recovering its computing capability or using alternate procedures, should a disaster strike.

The State Comptroller maintains the Commonwealth's Accounting and Reporting System, which the University uses to reconcile their financial accounting system. Information relating to the Year 2000 readiness for the Commonwealth's systems is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

16. SURETY BOND

The employees of the University 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.

NORFOLK STATE UNIVERSITY
SCHEDULE OF OPERATIONS - AUXILIARY ENTERPRISES
For the Year Ended June 30, 1998

	Food Services	Residential Facilities	Student Activities	Student Center	Capital Improvements	Athletics	Parking	Printing Services	Auxiliary Administration
Revenues:									
Student fees	$ 210,238	$ -	$ 688,259	$ 103,553	$ 1,284,117	$ 2,819,760	$ -	$ -	$ -
Sales and services	2,877,463	4,094,568	67,304	-	-	733,065	354,541	513,565	55,609
Rental and other income	-	39,072	4,941	-	-	-	-	-	6,403
Total revenues	3,087,701	4,133,640	760,504	103,553	1,284,117	3,552,825	354,541	513,565	62,012
Expenses of operation:									
Personal service	50,404	734,898	41,609	139,298	-	569,610	135,503	182,215	388,930
Fringe benefits	14,513	171,050	1,089	23,331	-	103,635	39,265	49,224	134,846
Contractual services	2,716,784	943,733	448,602	66,798	-	783,942	10,669	79,355	-
Supplies and materials	30,359	177,201	47,018	23,658	-	92,940	5,806	42,071	10,350
Current charges and obligations	127,207	686,544	6,818	77,347	-	96,135	62,086	339,161	30,777
Equipment	4,748	21,432	5,767	47,028	-	31,081	9,215	-	9,437
Scholarships and fellowships	-	633,628	143,293	-	-	1,308,645	-	-	1,350
Auxiliary administration expense	8,358	295,033	60,803	33,061	-	261,535	22,996	60,612	(565,724)
Total expenses of operation	2,952,373	3,663,519	754,999	410,521	-	3,247,523	285,540	752,638	9,966
Excess (deficiency) of revenues over (under) expenses of operation before transfers	135,328	470,121	5,505	(306,968)	1,284,117	305,302	69,001	(239,073)	52,046
Transfers:									
Mandatory:									
Debt service and sinking fund	(363,482)	(1,329,369)	-	-	-	(960,838)	-	-	-
Nonmandatory - (To)/From other funds	-	208,225	15,673	11,839	(2,799,332)	11,839	-	281,194	(52,046)
Net increase (decrease) for the year	(228,154)	(651,023)	21,178	(295,129)	(1,515,215)	(643,697)	69,001	42,121	-
Fund balances (deficits) at July 1, 1997, as restated (Note 1)	66,596	(202,573)	87,115	977,522	1,515,215	(1,531,902)	422,785	(362,930)	-
Fund balances (deficits) at June 30, 1998	$ (161,558)	$ (853,596)	$ 108,293	$ 682,393	$ -	$ (2,175,599)	$ 491,786	$ (320,809)	$ -

Note 1: Adjusted to reflect restatement due to GASB 31.

NORFOLK STATE UNIVERSITY
SCHEDULE OF OPERATIONS - AUXILIARY ENTERPRISES
For the Year Ended June 30, 1998

	Contingency Fund	Transportation	Auxiliary Security	Sports Therapy	Telephone Services	Wilder Center	Contract Administration	Total
Revenues:								
Student fees	$ 433,709	$ 183,446	$ 907,769	$ -	$ -	$ -	$ -	$ 1,524,924
Sales and services	-	2,040	13,971	157,883	81,303	67,786	305,697	628,680
Rental and other income	-	-	-	-	-	289	-	289
Total revenues	433,709	185,486	921,740	157,883	81,303	68,075	305,697	2,153,893
Expenses of operation:								
Personal service	-	72,734	615,539	23,474	-	-	34,144	745,891
Fringe benefits	-	9,834	72,657	4,328	-	-	8,477	95,296
Contractual services	-	5,150	225,533	12,729	46,511	53,237	7,097	350,257
Supplies and materials	-	7,544	6,479	3,452	3,355	10,731	324	31,885
Current charges and obligations	-	-	-	502	10,243	580	1,882	13,207
Equipment	-	24,587	-	11,229	-	424	931	37,171
Scholarships and fellowships	-	-	-	-	-	-	-	-
Auxiliary administration expense	-	10,497	80,599	4,880	1,696	1,834	4,630	104,136
Total expenses of operation	-	130,346	1,000,807	60,594	61,805	66,806	57,485	1,377,843
Excess (deficiency) of revenues over (under) expenses of operation before transfers	433,709	55,140	(79,067)	97,289	19,498	1,269	248,212	776,050
Transfers:								
Mandatory:								
Debt service and sinking fund	-	-	-	-	-	-	-	-
Nonmandatory	-	-	-	2,960	-	50,445	(40,546)	12,859
Net increase (decrease) for the year	433,709	55,140	(79,067)	100,249	19,498	51,714	207,666	788,909
Fund balances (deficits) at July 1, 1997, as restated (Note 1)	384,371	(320,905)	(1,089,119)	157,928	99,262	(51,714)	158,541	(661,636)
Fund balances (deficits) at June 30, 1998	$ 818,080	$ (265,765)	$ (1,168,186)	$ 258,177	$ 118,760	$ -	$ 366,207	$ 127,273

NORFOLK STATE UNIVERSITY
Norfolk, Virginia