VIRGINIA STATE UNIVERSITY

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 2007

APA

Auditor of Public Accounts

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Virginia State University for the year ended June 30, 2007, found the following:

- the financial statements are presented fairly, in accordance with generally accepted accounting principles;

- an internal control matter that we consider to be a significant deficiency; however, we do not consider this to be a material weakness;

- an instance of noncompliance that is required to be reported under Government Auditing Standards; and

- the University has taken adequate corrective action with respect to the audit findings reported in the prior year.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Promptly and Accurately Complete Reconciliations

Sound accounting and bookkeeping procedures mandate that an organization complete all reconciliations within a few days of receiving the information from the outside source. Typically, the completion of critical reconciliations is a month; however, with the Commonwealth and the University, the period may be sixty days.

The University completed the June 30, 2007, reconciliation of their accounting records to the Commonwealth's accounting records in February 2008 and did not complete the final operating bank reconciliation until October 2007. Failure to promptly reconcile accounting system account balances to state accounting system balances and bank statements could create an opportunity for errors in financial information reported to management and the Department of Accounts to go undetected.

We recommend that the University complete all reconciliations within a month or less of receiving information from outside sources such as the Department of Accounts. Timely and accurate monthly reconciliations should speed the process. Finally, the University should review its process for accumulating and preparing these reconciliations to determine if process changes are necessary.

Improve Employment Eligibility Verification Process

University employees and supervisors are not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security. The guidance requires the employee to complete, sign, and date the form on the first day of employment. In our sample of ten forms completed during fiscal year 2007, we found that five employees did not sign and/or date the form on their first day of employment.

We recommend that the Human Resources Division review the process to complete the I-9 forms, train human resources staff on the requirements of completing these forms, and develop procedures to continuously review all or a sample of forms for compliance with federal regulations. In addition, we recommend that the University be cautious regarding the number of documents requested from each employee because employers requesting more than the minimum required documentation from employees could be subject to fines and penalties, as the US Department of Homeland Security considers it a form of harassment. The federal government has increased its enforcement efforts requiring employers to ensure all new employees are legally entitled to work in the United States. Their increased enforcement makes having a good process to complete I-9 forms in place even more important.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

Introduction

This discussion and analysis provides an overview of the financial position and results of activities of Virginia State University (the University) for the fiscal year ended June 30, 2007. This overview has been prepared by management and should be read in conjunction with the financial statements and footnotes that follow this section. Comparative information for the fiscal year ended June 30, 2006, has been provided where applicable. Virginia State University is an agency of the Commonwealth of Virginia and is governed by an eleven member Board of Visitors. The Commonwealth has the authority to exercise oversight over the University. The University has two major divisions, the academic colleges and the Cooperative Extension and Agricultural Research Services. The University is a component unit of the Commonwealth and is included in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The financial statements referred to above were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB).

The University is one of two land grant institutions in the Commonwealth. As a land grant institution, the University engages in natural resource related research projects and agriculture extension services. The University, founded in 1882, was designated a land grant institution in 1920, and attained University status in 1979. The University offers programs at the doctoral, graduate, and undergraduate levels in science, education, humanities, social sciences, and business.

Highlights for Fiscal Year 2006-2007

- Virginia State University celebrated its 125th Anniversary
- Virginia State University gained 19 spots in the 2008 U.S. News and World Report annual rankings of America's best colleges and universities
- Virginia State University was named the top public Historically Black College and University (HBCU) in the country among master's level institutions; 5th best public HBCU overall; and 15th best HBCU, public or private, in America according to U.S. News & World Report in its first-ever ranking of 81 HBCU's
- The University broke ground for a 504 bed residence hall and dining facility called the Gateway 500 Project
- Diverse Issues in Higher Education ranked Virginia State University 94th among all colleges and universities in the United States in awarding master's degrees to African-Americans
- The University's endowment grew from $11.4 million at the end of fiscal year 2006 to $14.8 million at the end of fiscal year 2007
- The Board of Visitors approved Section 9(c) bond financing for the Howard Quad Dorm Project
- The Board of Visitors approved the 2008-2010 Biennium Budget Initiatives
- The Board of Visitors approved the University's Campus Master Plan
- The University received Association to Advance Collegiate Schools of Business accreditation of the Business School
- The University completed implementation of the Banner Financial System and started using the system on July 1, 2006
- The University completed preparation for implementation of the Banner Student Module with an implementation date of July 1, 2007

- The University implemented the innovative Low Income Families With Talented Students (LIFTS) program, the first program of its kind among HBCU's to provide financial aid to needy students

The University's financial position remained strong at June 30, 2007, with total assets of $213,613,583 and liabilities of $68,968,675 compared to total assets of $169,232,288 and total liabilities of $40,168,180 at June 30, 2006. Total assets grew by 26.2 percent and total liabilities grew by 71.7 percent.

Net assets grew from $129,064,108 at June 30, 2006, to $144,644,908 at June 30, 2007. This is a 12.1 percent increase. The increase in net assets from operating and nonoperating revenues is summarized below:

Summary of the Increase in Net Assets *

	Year Ended June 30, 2007	Year Ended June 30, 2006	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Total operating revenues	$ 61,358	$ 57,803	$ 3,555	6.2
Total operating expenses	107,614	94,883	12,731	13.4
Operating loss	(46,256)	(37,080)	(9,176)	24.7
Nonoperating revenues	43,981	38,559	5,422	14.1
Other revenue	28,699	5,332	23,367	438.2
Increase in net assets	$ 26,424	$ 6,811	$ 19,613	288.0

* in thousands

Comparing fiscal years 2006 and 2007, operating revenues, increased by $3.6 million (6.2 percent) while operating expenses increased by $12.7 million (13.4 percent). Nonoperating revenues increased by $5.4 million (14.1 percent). After adding in other revenues, net assets increased by $26.4 million in fiscal year 2007.

Using the Financial Statements

The University's financial report includes three financial statements and related notes:

1. The Statement of Net Assets (SNA);
2. The Statement of Revenues Expenses, and Changes in Net Assets (SRECNA); and
3. The Statement of Cash Flow (SCF).

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external reporting for colleges and universities. These principles require that the financial statements be prepared with resources classified for accounting and reporting purposes into four net asset categories: Current Assets, Noncurrent Assets, Current Liabilities, and Noncurrent Liabilities. Please note that although the University's foundations identified under GASB Statement 39, *Determining Whether Certain Organizations are Component Units,* are reported in the component unit financial statements, this Management Discussion and Analysis excludes reference to the foundations except where specifically noted.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between the total assets and total liabilities - net assets - is one indicator of the current financial condition of the University, while the change in net assets is an indication of whether the overall financial condition of the University has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A summary of the University's assets, liabilities, and net assets at June 30, 2007, and 2006 follows:

Condensed Statement of Net Assets *

	Year Ended June 30,		Increase/(Decrease)	
	2007	2006	Amount	Percent
Assets:				
Current assets	$ 40,233	$ 36,682	$ 3,551	9.7
Noncurrent assets:				
Restricted cash and cash equivalents	47,645	30,121	17,524	58.2
Investments	14,806	11,422	3,384	29.6
Capital assets, net	109,210	88,500	20,710	23.4
Other	1,720	2,507	(787)	(31.4)
Total assets	213,614	169,232	44,382	26.2
Liabilities:				
Current liabilities	24,303	21,108	3,195	15.1
Noncurrent liabilities	44,666	19,060	25,606	134.3
Total liabilities	68,969	40,168	28,801	71.7
Net assets:				
Invested in capital assets, net of related debt	84,060	77,618	6,442	8.3
Restricted:				
Nonexpendable	2,591	2,183	408	18.7
Expendable	35,924	26,836	9,088	33.9
Unrestricted	22,070	22,427	(357)	(1.6)
Total net assets	$144,645	$129,064	$15,581	12.1

* in thousands

A review of the University's Statement of Net Assets at June 30, 2007, shows that the University continues to build and improve upon its financial condition. This financial condition reflects the prudent use of its financial resources, including budgetary controls, conservative utilization of debt, and maintenance and replacement of the physical plant. The overall increase in net assets (to include Restatement of Beginning Net

Assets – see footnote 1.O) of $26.4 million is the result of several factors. Overall, current assets increased by $3.5 million. Current assets are comprised of several different categories, including cash, short-term investments, notes and loan receivables, and prepaid expenses. The primary reason for the overall change was due to an increase in accounts receivables and Due from the Commonwealth for the Bond Reimbursement Programs and the Equipment Trust Fund. The receivable increase was primarily due to an increase in grant receivables.

Noncurrent assets increased by $40.8 million. Most of this increase in noncurrent assets occurred as a result of changes in cash and capital assets. The cash change was primarily a result of proceeds from bonds issued for Gateway Residence Hall and Dining Hall. There was also an increase in capital appropriations for various projects.

Capital assets increased by a net of $20.7 million. Nondepreciable capital assets increased by $24.9 million primarily due to construction on the Gateway Residence Hall, the Engineering and Technology Building, and renovations to Gandy Hall, Rogers Stadium, and Student Housing. Depreciable capital assets decreased by $4.2 million due to depreciation.

On the liability side, current liabilities are up $3.2 million, mainly as a result of an increase in accounts payable and accrued liabilities as well as retainage payable. Noncurrent liabilities also increased by $25.6 million, which relates to the Gateway Residence Hall and Dining Hall projects and the Energy Performance Program capital lease.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of activities for the fiscal year. Presented below is a summarized statement of the University's Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2007, and 2006.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets *

	Year Ended June 30,		Increase / Decrease	
	2007	2006	Amount	Percent
Operating revenues	$ 61,358	$ 57,803	$ 3,555	6.2
Operating expenses	107,614	94,883	12,731	13.4
Operating loss	(46,256)	(37,080)	(9,176)	(24.7)
Nonoperating revenues/(expenses):				
State appropriations	39,337	37,012	2,325	6.3
Other nonoperating revenues and expenses	4,644	1,547	3,097	200.2
Net nonoperating revenues and expenses	43,981	38,559	5,422	14.1
Income before other revenues	(2,275)	1,479	(3,754)	(253.8)
Capital appropriations	17,765	4,614	13,151	285.0
Capital grants and gifts	2,093	419	1,674	399.5
Additions to permanent endowments	395	299	96	32.1
Other capital revenues	8,446	-	8,446	>100.0
Total other revenues	28,699	5,332	23,367	438.2
Total increase in net assets	26,424	6,811	19,613	288.0
Net assets, beginning of year, restated	118,221	122,253	(4,032)	(3.3)
Net assets, end of year	$ 144,645	$ 129,064	$ 15,581	12.1

* in thousands

As noted above, operating revenues for the University increased by 6.2 percent from the previous year and operating expenses increased by 13.4 percent. The operating loss for the University actually increased by $9.2 million in fiscal year 2007. This loss was offset by nonoperating revenues of $44.0 million, including State appropriations of $39.3 million. Other revenues totaled $28.7 million including capital appropriations of $17.8 million and $8.4 million in bond reimbursements from the Commonwealth. This represented a $23.4 million increase from the previous fiscal year.

Summary of Revenues

A summary of the University's revenues for the years ended June 30, 2007 and 2006 appears below:

Summary of Revenues *

	Year Ended June 30, 2007	2006	Increase/(Decrease) Amount	Percent
Operating revenues:				
Student tuition and fees, net of allowance	$ 18,547	$ 16,833	$ 1,714	10.2
Federal, state, and local grants and contracts	23,074	20,697	2,377	11.5
Auxiliary enterprises, net of allowance	19,681	20,209	(528)	(2.6)
Other operating revenue	56	64	(8)	(12.5)
Total operating revenues	61,358	57,803	3,555	6.2
Nonoperating revenues/(expenses):				
State appropriations	39,337	37,012	2,325	6.3
Gifts	1,139	1,206	(67)	(5.6)
Other nonoperating revenues, net	3,505	341	3,164	927.9
Total non operating revenues	43,981	38,559	5,422	14.1
Capital revenues and gains:				
Capital appropriations	17,765	4,614	13,151	285.0
Capital gifts	2,093	419	1,674	399.5
Additions to permanent endowment	395	299	96	32.1
Other capital revenues	8,446	-	8,446	100.0
Total other revenues	28,699	5,332	23,367	438.2
Total revenues	$ 134,038	$ 101,694	$ 32,344	31.8

*in thousands

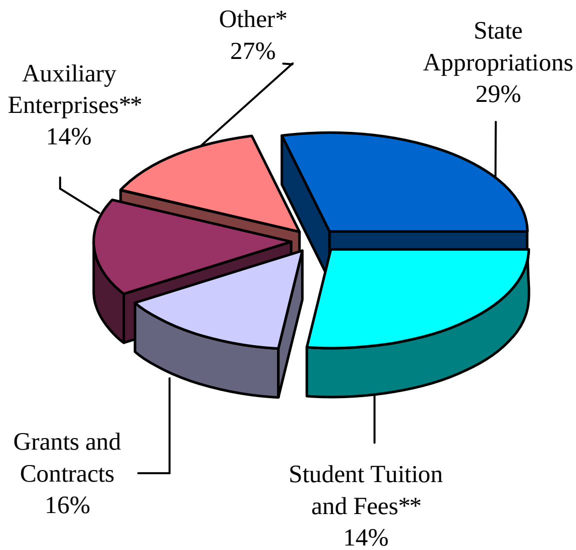
Total operating revenues increased by $3.6 million (6.2 percent) in fiscal year 2007 compared to the previous year. The primary components of operating revenue increases are as follows: Tuition and fees increased by $1.7 million (10.2 percent), which is due to an increase in tuition and fee rates; grants and contracts increased by $2.4 million (11.5 percent) due primarily to an increase in funding for the Naval Air Systems (NAVAIR) career development grant, Outreach grant, and STEM Infrastructure grant, as well as funding for new grants. Other nonoperating revenues increased by $5.4 million from the previous fiscal year. This increase was due primarily to the performance of the University's endowment and investment portfolio. At the end of fiscal year 2006, the University changed investment advisors. The new advisors have utilized new asset allocations. Some of the allocations are now in asset categories previously not utilized by the portfolio managers. The results have been a much better return than in previous years. Under nonoperating revenues, State appropriations increased by $2.3 million, a 6.3 percent increase from the previous year.

There were significant increases also in capital revenues and gains. Capital appropriations and other capital projects increased by $21.6 million during fiscal year 2007 as new construction projects got underway. There was also an increase in capital gifts. Overall, these "Other" revenue sources increased by $23.4 million in fiscal year 2007 from the previous fiscal year.

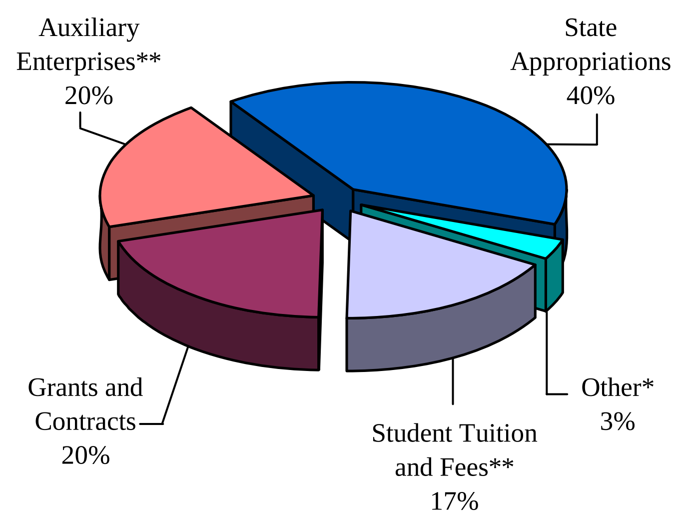
Student Tuition and Fee revenue is shown net of tuition discounts and scholarship allowances. The tuition discount and scholarship allowance represents the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties on their behalf. Gross Student Tuition and Fees were $24,986,126 and the Auxiliary Enterprise revenue was $26,695,834. The tuition discount and scholarship allowance, totaling $13,454,127 is divided between Tuition and Fees ($6,438,913) and Auxiliary Enterprises ($7,015,214).

Summary of Revenues

FY 2007



FY 2006

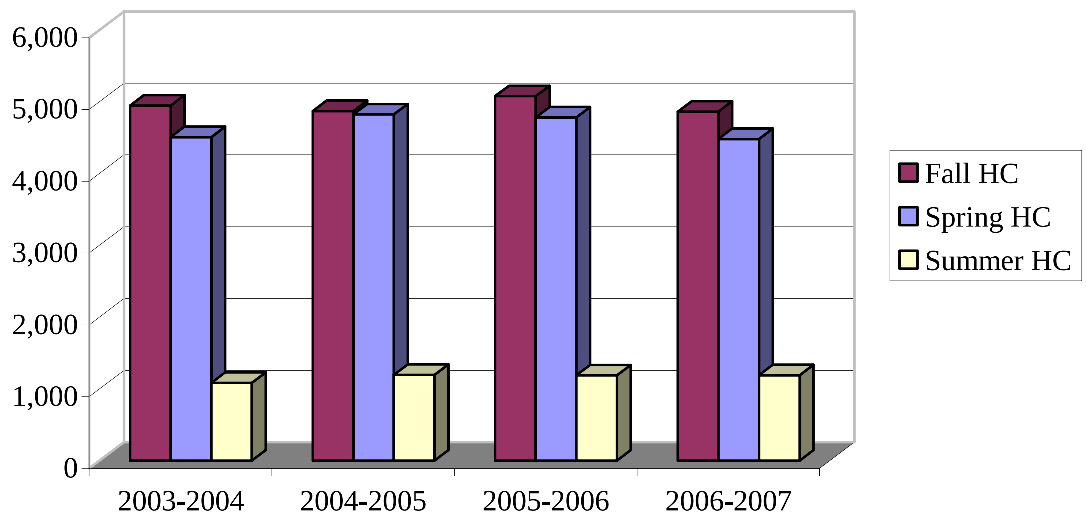


*Other includes: – Gifts, Other Operating Revenue, and Other Nonoperating Revenue. Other nonoperating revenues in 2007 include a substantial increase in 2007 over 2006 due to capital appropriations of $17.8 million for Gateway Phase I projects and first time recognition of general obligation bonds state reimbursement revenues of $8.4 million.
**Net of scholarship allowance

As demonstrated on the following chart, student headcount enrollment is shown for current fiscal year and the previous three fiscal years.

Student Enrollment
Fiscal Years 2005 - 2007

Student Headcount Enrollment



Overall student headcount has remained fairly steady over the last four fiscal years. Headcount is defined as "A student enrolled for more than zero credit hours in courses offered for degrees or certificate credit, or a student who meets the criteria for classification as a remedial student." Fall headcount fell in 2006-07 from the previous year, decreasing from 5,076 to 4,861. This trend continued in the spring of 2007 dropping from 4,778 in 2005-06 to 4,478 in 2006-07. Summer enrollment remained relatively level increasing from 1,187 in the summer of 2006 to 1,191 in the summer of 2007. Although there was a slight decrease in enrollment headcount in 2006-07 compared to the previous year, the University expects this slightly downward trend to reverse itself in future years. Although there are a variety of factors which can affect enrollments (selection criteria, fees, the state of the economy, availability of financial aid), the University has recently been named in several publications as one of the top Historically Black Colleges and Universities in the country. It has also been recognized as a good value to students who enroll. This recognition is expected to be followed in future years with increased applications and enrollment.

Summary of Expenses

A summary of the University's operating expenses for the years ended June 30, 2007, and 2006 appears below. Total operating expenses increased by $12.7 million in fiscal year 2007 compared to the previous fiscal year. This represents a 13.4 percent increase from the previous year.

Summary of Expenses *

	2007	2006	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating expenses:				
Instruction	$ 35,256	$ 25,822	$ 9,434	36.5
Research	2,836	3,006	(170)	(5.7)
Public service	7,700	6,328	1,372	21.6
Academic support	5,160	4,950	210	4.2
Student services	4,356	4,003	353	8.9
Institutional support	10,440	8,382	2,058	24.6
Operation and maintenance of plant	10,030	13,610	(3,580)	(26.3)
Scholarships and fellowships	1,173	1,309	(136)	(10.4)
Auxiliary enterprises	21,179	17,802	3,377	19.0
Other	31	57	(26)	(45.6)
Depreciation	9,453	9,614	(161)	(1.7)
Total operating expenses	$107,614	$ 94,883	$ 12,731	13.4

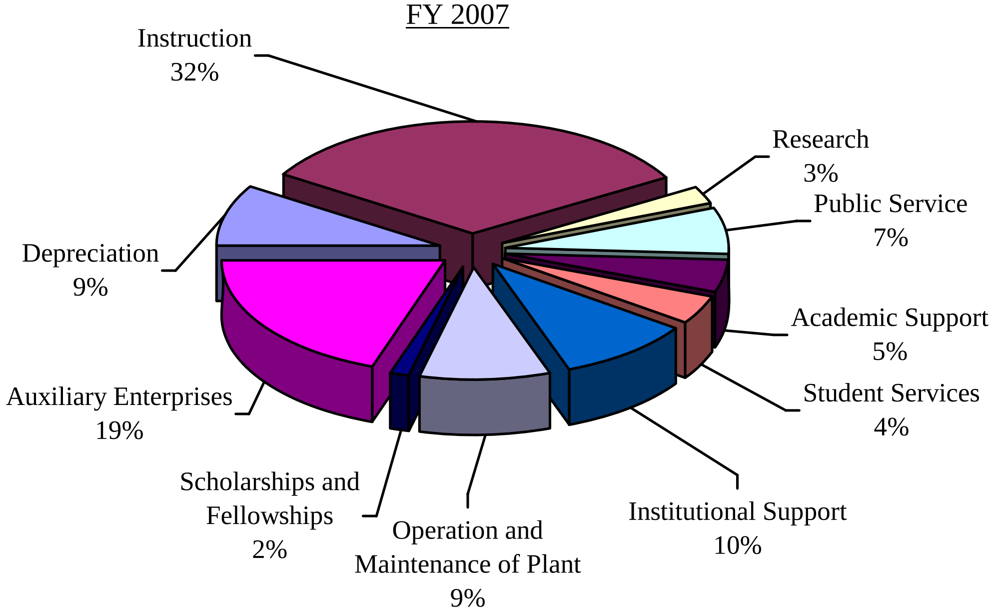
* in thousands

When expenses are reviewed on a functional expense basis, Instruction increased by $9.4 million during fiscal year 2007 from fiscal year 2006. This increase is due primarily to various computer related expenses, purchases of noncapitalized equipment, and salaries/fringe benefit costs. Institutional Support increased primarily due to increased salary and wage expenditures and the purchase of supplies and services. The decrease in Operation and Maintenance of Plant is due primarily to a reduction in accrued expenses in fiscal year 2007 from fiscal year 2006 and an increase in recoveries of overhead from Auxiliary Enterprises. Lastly, Auxiliary Enterprises expenses increased by $3.4 million. Approximately $1.0 million was due to increases in salaries and wages. The remainder was due to increased expenditures for supplies and services. Most of this increase occurred in Food Services and Residential Services.

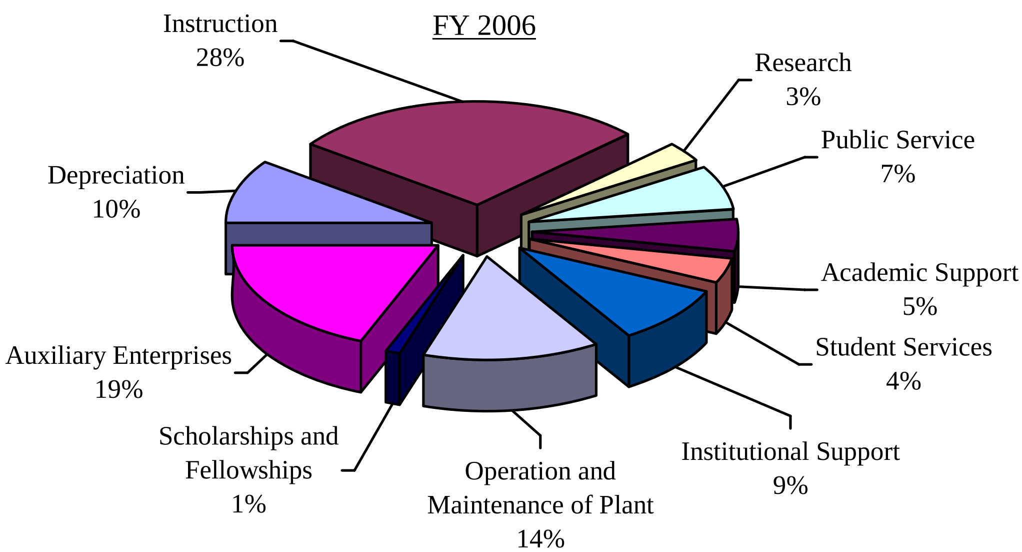
On a natural classification basis, salaries, and wages increased from $37.1 million in fiscal year 2006 to $40.7 million in fiscal year 2007. This increase is due to a combination of inflation (i.e. salary increases granted by the Commonwealth) and an increase in faculty and staff hiring. Supplies and service expenses increased from $28.6 million in fiscal year 2006 to $34.9 million in fiscal year 2007, an increase of $6.3 million or 22 percent. A portion of this change is due to general inflationary increases in the purchase of goods and services. There were also increases in computer operating expenses and the purchase of non-capitalized equipment. The University also entered into an Energy Performance Contract in fiscal year 2007 to update lighting and other energy uses with more cost effective equipment. A total of $2.7 million was expended for this during fiscal year 2007.

Summary of Expenses

FY 2007



FY 2006



Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash. GASB principles define four major categories of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

This statement provides a slightly different perspective from the Statement of Revenues, Expenses, and Changes in Net Assets. On the latter statement, State appropriations and gifts are considered nonoperating revenue. However, on the Statement of Cash Flows, these revenues are reflected under noncapital financing activities, while investment income is shown under investing activities. These cash flows are crucial to funding the operation of the University.

Statement of Cash Flows *

	Year Ended June 30,		Increase/(Decrease)	
	2007	2006	Amount	Percent
Cash flows from:				
Operating activities	$ (37,774)	$ (25,082)	$ (12,692)	(50.6)
Noncapital financing activities	41,905	38,628	3,277	8.5
Capital and related financing activities	24,413	(14,347)	38,760	270.2
Investing activities	7	(910)	917	100.1
Net increase/(decrease) in cash and cash equivalents	28,551	(1,711)	30,262	1,768.7
Cash and cash equivalents, beginning of year (restated)	43,477	56,114	(12,637)	(22.5)
Cash and cash equivalents, end of year	$ 72,028	$ 54,403	$ 17,625	32.4

* in thousands

Overall, there was approximately a $12.7 million increase in net cash used by operating activities in fiscal year 2007 compared to fiscal year 2006. Most of this increase was due to payments to suppliers. These payments increased by $10.2 million in fiscal year 2007. There was also an increase in payments for utilities of approximately $1.4 million. This use of operating cash was partially offset by increases in Tuition and Fees. However, there was a slight decrease in grants and contract revenue and auxiliary revenue.

Net cash flows from noncapital financing activities increased by $3.3 million. The majority of this came from State appropriations.

Cash flows from capital financing activities increased by $38.8 million in fiscal year 2007. This increase was due to increases in capital appropriations and principal received on capital debt, primarily related to the Gateway Project. This was partially offset by the purchase of capital assets.

Cash flows from investing activities only slightly increased from fiscal year 2006. There was a substantial increase in investment income of approximately $3.4 million. This increase was offset by proceeds from sales and maturities of investments and purchase of investments.

Capital and Debt Activities

The renewal and replacement of the University’s capital assets is crucial to sustaining the quality of its Academic, Research, and Public Service programs. The University continues to invest in capital assets in accordance with its master plan, modernizing its current and older facilities, purchasing new equipment and building new facilities. Capital assets, net of depreciation, increased by $20.7 million in fiscal year 2007, going from $88.5 million to $109.2 million.

Projects that were in progress or started in fiscal year 2007 include renovations to Rogers Stadium, construction of a new Engineering and Technology Building, renovation of Gandy Hall, renovation of Singleton Hall, renovation to the Heating Plant, and repairs to the University's Sanitary and Storm Sewer lines.

In addition to the above, the University, with the assistance of the Virginia State University Real Estate Foundation, started construction of a 500 bed Residence Hall and a new Dining Facility called the Gateway Project. This project was funded using Section 9(c) bonds. The Residence Hall is expected to be completed in time for the beginning of the spring semester.

Proper management of University resources and the replacement and renewal of capital assets requires the prudent use of debt to finance projects. University bonds are issued pursuant to Section 9(c) of Article X of the Constitution of Virginia. These bonds are backed by the full faith, credit and taxing power of the Commonwealth. The use of debt to finance capital projects is handled in accordance with the University's Debt Policy.

As of June 30, 2007, the University had $28.6 million in outstanding general obligation revenue bonds. In addition to that, the University had a total of $11.6 million in outstanding notes payable as of June 30, 2007. These funds were borrowed to renovate and repair student dormitories, the renovation of Rogers Stadium and the Student Village Housing Project.

Future Economic Outlook

Executive management believes the University remains well positioned financially to continue providing excellent programs and services to its constituents. The University's financial position continues to improve as evidenced by the accompanying financial statements.

In the Fall of 2004, the University's Board of Visitors approved the 20/20 Vision Plan – a long-range plan for the University. This plan is intended to guide the course of the University for approximately 16 years through the year 2020. The plan contains goals and objectives and action items in nine different areas. The plan contains short, mid, and long range goals and objectives. Of the 379 action items in the original plan, nearly one-third are now complete and another forty percent are in progress. The University is currently reviewing and updating the original 20/20 vision plan to reflect successes and move the University forward to even greater success in the future.

In order to remain competitive, the University must continue to enhance, renew, and replace its physical plant. During fiscal year 2008, the new Engineering and Technology Building will be completed. Renovations are also underway for Gandy Hall, Rogers Stadium, and several other buildings. In October 2006, the University started the Gateway I project - a new residence hall and dining facility. The Residence Hall was expected to be completed in time for the beginning of the spring semester. Requests are being made in 2007 for the funding of Gateway II, a 500 bed project (the replacement of Student Village) and the replacement of the existing Howard Hall, a 464 bed project. These housing offerings will allow the University to remain competitive with other universities and will address a critical need for on-campus suite style housing.

The University has begun the process for re-accreditation by the Southern Association of Colleges and Schools (SACS). The off-site review will occur in October 2007, and the on-site review is scheduled in early 2008. The entire campus is mobilized for a successful conclusion of this review.

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FINANCIAL STATEMENTS

VIRGINIA STATE UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2007

	University	Component Units VSUF	Component Units VSUREF
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	$ 24,383,668	$ 2,152,109	$ 1,839,785
Cash and cash equivalents - securities lending (Note 2)	1,462,049	-	-
Short-term investments (Note 2)	5,759,843	264,787	-
Accounts and loans receivable, net of allowance (Note 3)	4,983,259	-	187,565
Due from the Commonwealth (Note 3)	1,315,608	-	-
Due from affiliates	46,420	119,652	98,875
Prepaid expenses	2,256,457	-	18,404
Notes and mortgages receivable, net of allowance (Note 3)	24,976	-	-
Total current assets	40,232,280	2,536,548	2,144,629
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	47,644,565	-	1,573,243
Restricted investments (Note 2)	549,903	4,142,952	-
Endowment investments (Note 2)	12,246,936	-	-
Notes and mortgages receivable, net of allowance (Note 3)	1,617,690	-	-
Other long-term investments (Note 2)	2,010,148	-	-
Unamortized issuance cost	100,792	-	994,467
Gain on advance refunding	1,109	-	-
Nondepreciable capital assets (Note 4)	46,915,398	-	542,828
Depreciable capital assets, net (Note 4)	62,294,762	-	12,965,614
Total noncurrent assets	173,381,303	4,142,952	16,076,152
Total assets	213,613,583	6,679,500	18,220,781
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 5)	7,839,869	46,420	202,368
Deferred revenue	3,478,336	-	-
Retainage payable	1,283,846	-	-
Obligations under securities lending (Note 2)	7,221,892	-	-
Deposits held in custody for others	1,427,335	-	175,350
Long-term liabilities - current portion (Notes 6 and 7)	3,002,504	-	120,000
Other current liabilities	49,271	-	-
Total current liabilities	24,303,053	46,420	497,718
Noncurrent liabilities:			
Long-term liabilities - noncurrent (Notes 6 and 7)	44,665,622	-	21,562,723
Total liabilities	68,968,675	46,420	22,060,441

VIRGINIA STATE UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2007

		Component Units	
	University	VSUF	VSUREF
NET ASSETS			
Invested in capital assets (net of related debt)	84,059,942	-	(4,843,848)
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	1,931,708	420,541	-
Instructional	461,657	-	-
Other	197,560	4,142,952	-
Expendable:			
Scholarships and fellowships	10,240,937	-	-
Instruction	318,989	-	-
Loans	807,748	-	-
Capital projects	22,897,802	-	-
Other	1,658,095	-	-
Unrestricted	22,070,470	2,069,587	1,004,188
Total net assets	$ 144,644,908	$ 6,633,080	$ (3,839,660)

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

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VIRGINIA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2007

		Component Units	
	University	VSUF	VSUREF
Operating revenues:			
Student tuition and fees (net of scholarship allowances of $6,438,913)	$ 18,547,213	$ -	$ -
Federal grants and contracts	22,115,960	-	-
State and local grants and contracts	957,580	-	-
Sales and services - educational departments	28,959	-	-
Auxiliary enterprises (net of scholarship allowance of $7,015,214)	19,680,620	-	-
Other operating revenues	27,245	-	2,890,701
Total operating revenues	61,357,577	-	2,890,701
Operating expenses: (Note 9)			
Education and general:			
Instruction	35,255,786	-	-
Research	2,835,625	-	-
Public service	7,699,863	-	-
Academic support	5,159,991	-	-
Student services	4,355,864	-	-
Institutional support	10,439,705	325,002	1,191,190
Operation and maintenance of plant	10,029,671	-	-
Scholarships and fellowships	1,173,610	199,500	-
Auxiliary enterprises	21,179,513	-	-
Other	31,124	-	-
Depreciation	9,453,107	-	1,353,876
Total operating expenses	107,613,859	524,502	2,545,066
Operating income/(loss)	(46,256,282)	(524,502)	345,635
Nonoperating revenues/(expenses):			
State appropriations (Note 8)	39,337,245	-	-
Gifts	1,138,442	244,442	-
Investment income	3,392,366	660,185	72,658
Interest on indebtness	(628,286)	-	(1,435,324)
Loss on disposal of assets	(5,706)	-	-
Other nonoperating revenues	796,580	-	42,132
Other nonoperating expenses	(50,031)	(53,651)	-
Net nonoperating revenue	43,980,610	850,976	(1,320,534)
Income before other revenues	(2,275,672)	326,474	(974,899)
Capital appropriations	17,765,000	-	-
Capital grants and gifts	2,092,867	-	-
Additions to permanent endowments	395,459	419,006	-
21st Century Bonds Reimbursement Program	59,658	-	-
General Obligation Bonds Reimbursement Program	8,386,288	-	-
Total other revenues	28,699,272	419,006	-
Increase in net assets	26,423,600	745,480	(974,899)
Net assets, beginning of year, restated (Note 1 O.)	118,221,308	5,887,600	(2,864,761)
Net assets, end of year	$ 144,644,908	$ 6,633,080	$ (3,839,660)

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

VIRGINIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Tuition and fees	$ 18,165,223
Grants and contracts	20,129,646
Auxiliary enterprises	19,749,957
Other revenues	(657,016)
Payments to employees	(50,908,074)
Payments to suppliers	(35,536,851)
Payments for utilities	(7,012,736)
Payments for scholarships and fellowships	(2,755,434)
Loans issued to students	(305,442)
Collection of loans from students	1,213,779
Other payments	143,008
Net cash used by operating activities	(37,773,940)
Cash flows from noncapital financing activities:	
State appropriations	39,337,245
Gifts	1,533,901
Other nonoperating revenue	746,549
Loss on disposal of assets	(5,706)
Funds held in custody for others - receipts	8,773,872
Funds held in custody for others - disbursements	(8,635,592)
Federal direct lending program receipts	26,005,331
Federal direct lending program disbursements	(25,849,989)
Net cash provided by noncapital financing activities	41,905,611
Cash flows from capital financing activities:	
Capital appropriations	17,765,000
Capital gifts and grants	2,092,867
21st Century Bonds	59,658
General Obligation Bonds	8,386,288
Interest paid on capital debt, leases, and installments	(359,860)
Principal paid on capital debt, leases, and installments	(1,339,123)
Principal received on capital debt, leases, and installments	27,259,762
Purchase of capital assets	(29,451,509)
Net cash used by capital financing activities	24,413,083
Cash flows from investing activities:	
Investment income	3,392,366
Proceeds from sales and maturities of investments	(2,222,794)
Purchase of investments	(1,162,908)
Net cash used by investing activities	6,664
Net increase in cash	28,551,418
Cash and cash equivalents - beginning of the year, restated	43,476,633
Cash and cash equivalents - end of the year	$ 72,028,051

VIRGINIA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating income (loss)	(46,256,282)
Adjustments to reconcile net cash used by operating activities:	
Depreciation expense	9,453,107
Changes in assets and liabilities:	
Receivables	(3,661,785)
Prepaid items	(84,717)
Other assets	(63,499)
Accounts payable	2,300,801
Interest payable	(268,426)
Deferred revenue	(307,982)
Other liabilities	206,507
Net loans	908,336
Net cash used by operating activities	$ (37,773,940)

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

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Virginia State University (the 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 resource related research projects and agricultural extension services. The institution attained University status in 1979. The University offers programs at the doctoral, graduate, and undergraduate levels in science, education, humanities, social sciences, 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.

The University is a component unit of the Commonwealth of Virginia and is included in the Comprehensive Annual Financial Report (CAFR) of the Commonwealth. These basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) applicable to colleges and universities. They are prepared for and at the direction of the Commonwealth of Virginia for inclusion in the Commonwealth's CAFR, which includes all agencies, boards, commissions, and authorities associated with the Commonwealth and over which the Commonwealth exercises or has the ability to exercise oversight authority.

The Virginia State University Foundation (VSUF) is a legally separate component unit of the University and was organized as a tax-exempt charitable and educational organization in 1968. The purpose of this foundation is to accept contributions from individual donors and to safeguard, invest, and distribute the funds as designated by the donors or the Foundation's Board of Trustees for the benefit of the University, its students, alumni, and educational community in support of the University's mission.

The Virginia State University Real Estate Foundation (VSUREF) is a legally separate component unit of the University and was organized as a tax-exempt charitable and educational organization in 2002. The purpose of the Foundation is to construct and manage the University Apartments at Ettrick, a 504-bedroom dormitory facility for the University, in support of the University's mission.

Although the University does not control the timing or amount of receipts from either the VSUF or the VSUREF, the majority of the resources or income thereof that both foundations hold and invest is restricted to the activities of the University by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the University, the VSUF and the VSUREF are considered component units of the University and are discretely presented in the University's financial statements.

During the year ended June 30, 2007, the VSUF distributed $361,000 to the University for both restricted and unrestricted purposes. Separate financial statements for the VSUF or VSUREF can be obtained by writing the Virginia State University Foundation or the Virginia State University Real Estate Foundation c/o Vice President of Development, Storum Hall, P.O. Box 9027, Petersburg, VA 23806.

B. Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities.*

The VSUF and the VSUREF are private, nonprofit organizations that report under FASB standards, including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the foundations' information in the University's financial reporting entity for these differences.

C. Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability has been incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

D. Cash Equivalents

The University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Funds invested through the State Non-Arbitrage Program (SNAP) and portions of the funds invested in the State Securities Lending Program are considered cash equivalents.

E. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair market value at June 30, 2007. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Assets.

F. Prepaid Expenses

The University capitalized periodical subscriptions, library books, membership dues, system maintenance agreements and licenses, fuel, and liability insurance for fiscal year 2008, that were paid in advance as of June 30, 2007.

G. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure assets, improvements other than buildings, inexhaustible works of art, and construction-in-progress are stated at appraised historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at fair value on the date of acquisition. Library materials are valued using purchase price for library acquisitions. Equipment is capitalized when the acquisition cost is $5,000 or greater and the estimated useful life is two years or more. Expenses for construction-in-progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for this purpose. For the year ended June 30, 2007, interest earned exceeded interest expense by $72,620 and was capitalized. Infrastructure assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Buildings	40-50 years
Infrastructure assets	15-20 years
Equipment	2-10 years
Banner administrative systems	5 years
Library books	5 years
Other improvements	20 years

H. Restricted and Unrestricted Net Assets

Resources restricted by outside sources are distinguished from unrestricted resources allocated for specific purposes by action of the Board of Visitors. Externally restricted resources may be utilized only in accordance with the purposes established by the source of such resources and are in contrast with unrestricted resources, of which the governing board retains full control to use in achieving the institutional purpose.

Restricted net assets can be expendable or nonexpendable. Nonexpendable restricted net assets are endowments and similar type funds where the donor or some other outside source has stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Expendable restricted net assets are resources which the University is legally or contractually obligated to spend in accordance with the restrictions imposed by external parties.

Unrestricted net assets are resources derived primarily from State appropriations, sales, and services of educational departments, student tuition and fees, auxiliary enterprises fees and revenues, and gifts. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

When an expense has been incurred that can be paid using either restricted or unrestricted resources, the University's policy is first to apply the expense toward restricted resources and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

I. Deferred Revenue

Deferred revenue represents revenues collected, but not earned as of June 30, 2007. This consists primarily of student tuition and fees received in advance of the academic term and advance payments from grant and contract sponsors.

J. Accrued Compensated Absences

The amount of leave earned, but not taken by 12-month faculty and salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects all unused vacation leave, overtime leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy as of June 30, 2007. The applicable share of employer-related taxes payable on eventual termination payments is also included.

K. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship allowance; (2) federal, state, and nongovernmental grants and contracts; and (3) sales and services of auxiliary enterprises, net of scholarship allowance.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and other revenue sources that are defined as nonoperating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis,* such as State appropriations and investment and interest income.

Nonoperating expenses include interest on debt related to the purchase of capital assets and investment expenses. All other expenses are classified as operating expenses.

L. Discounts, Premiums, and Bond Issuance Costs

Bonds payable on the Statement of Net Assets are reported net of related discount and premiums, which are expensed over the life of the bond. Bond issuance costs are also expensed over the life of the bonds.

M. Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowance in the Statement of Revenues, Expenses, and Change in Net Assets. Scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. The scholarship allowance is reported using the alternative method as recommended by the National Association of College and University Business Officer's (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payment to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

N. Federal Financial Assistance Programs

The University participates in federally funded programs such as Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and the Perkins Loan programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.*

O. Restatement of Beginning Net Assets

Certain amounts from the previous fiscal year have been restated and reclassified to conform to current year presentation. The July 1, 2006, beginning net assets were reduced due to a change in accounting policy by the Department of Accounts relating to the distribution of certain Virginia College Building Authority bond proceeds. Previously, revenue was recorded as bond proceeds were allotted and current guidance provides for revenue recognition as the University makes qualifying capital expenditures that will be reimbursed from bond proceeds.

Net assets as reported at June 30, 2006	$ 129,064,108
Less: capital appropriations previously reported as revenue net of amounts due at June 30, 2006	(10,842,800)
Net assets at July 1, 2006 as restated	$ 118,221,308

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia (1950) as amended, all State funds of the University are held by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of State funds. Cash deposits held by the University are maintained in accounts that are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 of the Code of Virginia. In accordance with the GASB Statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds*, definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, and cash deposits including certificates of deposit and temporary investments with original maturities of three months or less. At June 30, 2007, the carrying amount of cash and cash equivalents was $73,490,282.

B. Investments - Credit Risk, Custodial Credit Risk, and Interest Rate Risk

The University evaluates common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following disclosures are made in accordance with GASB Statement 40, *Deposit and Investment Risk Disclosures*. As an element of interest rate risk, this statement requires certain disclosures of investments with fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement must be disclosed. GASB Statement 40 also modifies disclosures required by GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

In June 2006, the University transferred its primary endowment holdings from Smith Barney Citigroup to the University of Richmond Spider Management Group in accordance with Board of Visitors direction.

As of June 30, 2007, the University had the following investments:

Investments

Spider Management Group	$ 14,427,096
Wachovia	379,891
Treasurer of Virginia	5,759,843
Total investments	$ 20,566,830

Investments held by the Treasurer of Virginia include the University's allocated share of securities totaling $5,759,843 received for securities lending transactions and 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 CAFR.

C. Interest Rate Risk

The following information is provided with respect to the credit risk associated with the University's cash and cash equivalents and investments at June 30, 2007. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The University's policy for investment of endowment fund assets requires that the investments be allocated as follows:

Allocation of Investments

Domestic Long Only	10 - 25%
Domestic Long/Short	10 - 25%
International Long Only	10 - 15%
International Long/Short	5 - 15%
Opportunistic(P/E, Venture)	10 - 25%
Absolute Return	10 - 25%
Fixed Income	0 - 10%
Real Estate	0 - 10%
Real Assets	0 - 10%
Cash	0 - 5%

This asset allocation helps limit the University's exposure to interest rate risk.

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Statutes authorize the investment of local 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.

E. Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the endowment funds will not be able to recover the value of the investments that are in possession of an outside party. The University does not have a formal investment policy for custodial arrangements. At June 30, 2007, the University endowment funds were held at the custodial banks, the Spider Management Group and Wachovia.

F. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government or university in a single issuer. The University does not have a formal policy to reduce concentration of credit risk; however, all of the University's investments were held in various instruments and stocks and were not exposed to this risk.

G. VSUF – Cash and Investments

The investments of the VSUF consist primarily of equity securities and mutual funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. Realized gains are calculated based on the difference between the costs and selling price of the security. The amount of cash and short term investments held by the Foundation at June 30, 2007, was $6,559,848.

H. VSUREF - Cash and Investments

The investments of the VSUREF consist primarily of U.S. government money market funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. Realized gains are calculated based on the difference between the costs and selling price of the security. Cost is determined based on the initial purchase price of each individual investment. The amount of cash and short term investments held by the Real Estate Foundation at June 30, 2007 was $3,413,028.

3. ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowance for doubtful accounts in the accompanying Statement of Net Assets.

At June 30, 2007, accounts receivable consisted of the following:

Student tuition and fees	$ 387,779
Federal, state and private grants and contracts	4,125,355
Auxiliary enterprises	38,012
University apartments at Ettrick	261,769
Third party receivables - students	18,763
Nonsufficient fund checks	74,821
Other receivables	179,976
Due from VSUREF	40,457
Due from VSUF	1,140
Total	5,128,072
Less: allowance for doubtful accounts	(144,813)
Net accounts receivable	$ 4,983,259

B. Due from the Commonwealth

Receivables due from the Commonwealth represent reimbursements due for equipment purchases made by the University under the Equipment Trust Fund Program and Bond Reimbursement Programs. On a reimbursement basis, the Equipment Trust Fund program provides State-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment.

At June 30, 2007, Due from the Commonwealth consisted of the following:

Equipment Trust Fund Reimbursement	$ 832,121
General Obligation Bond Reimbursement - Construction Engineering Building	176,129
General Obligation Bond Reimbursement - Gandy Hall Renovation	141,928
21st Century Bond Reimbursement - Johnston Library Renovations	6,491
21st Century Bond Reimbursement - Renovate Owens Hall	25,167
21st Century Bond Reimbursement - Handicap Access	596
21st Century Bond Reimbursement - Gandy Temporary Facility	1,000
Interest Earned on Tuition and Fees	81,491
Small Purchase Charge Card Rebate	50,685
Total Due from Commonwealth	$ 1,315,608

C. Notes Receivable

Notes receivable are shown net of an allowance for doubtful accounts in the accompanying Statement of Net Assets.

At June 30, 2007, notes receivable consisted of the following:

Current notes receivable:	
Federal student loans	$ 27,720
Less: Allowance for doubtful accounts	(2,744)
Net current notes receivable	24,976
Noncurrent notes receivables:	
Federal student loans	1,795,492
Less: Allowance for doubtful accounts	(177,802)
Net noncurrent notes receivables	1,617,690
Total notes receivable	$1,642,666

4. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2007, is presented as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Nondepreciable capital assets:				
Land	$ 267,084	$ -	$ -	$ 267,084
Inexhaustible works of art and historical treasures	354,645	-	-	354,645
Construction in progress	21,410,792	25,526,210	(643,333)	46,293,669
Total nondepreciable capital assets	22,032,521	25,526,210	(643,333)	46,915,398
Depreciable capital assets:				
Buildings	119,242,484	403,451		119,645,935
Equipment	26,148,296	3,807,937	(82,200)	29,874,033
Banner administrative systems	3,014,071	332,935	-	3,347,006
Infrastructure assets	8,786,152	355,260	-	9,141,412
Improvements other than buildings	4,956,351	164,546	-	5,120,897
Library books	17,822,979	228,252	-	18,051,231
Total depreciable capital assets	179,970,333	5,292,381	(82,200)	185,180,514

Less accumulated depreciation for:				
Building	71,788,165	5,309,802		77,097,967
Equipment	18,032,176	1,982,142	(69,703)	19,944,615
Banner administrative systems	-	602,815		602,815
Infrastructure assets	6,551,120	301,205	-	6,852,325
Improvements other than buildings	1,803,271	303,256	-	2,106,527
Library books	15,327,616	953,887	-	16,281,503
Total accumulated depreciation	113,502,348	9,453,107	(69,703)	122,885,752
Depreciable capital assets	66,467,985	(4,160,726)	(12,497)	62,294,762
Total	$ 88,500,506	$ 21,365,484	$ (655,830)	$ 109,210,160

Net capital assets of the VSUREF consist of $542,828 for Land and $12,965,614 (net of accumulated depreciation of $2,393,502) for Buildings, Land Improvements, and Equipment as of June 30, 2007.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at June 30, 2007:

Employee salaries, wages, and fringe benefits payable	$ 3,195,181
Matured interest payable	436,965
Vendor and supplier accounts payable	4,207,723
Total	$ 7,839,869

6. LONG-TERM LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 7) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2007 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent
Long-term debt:						
General obligation revenue bonds	$ 4,861,994	$24,530,633	$ (814,924)	$28,577,703	$ 1,537,842	$27,039,861
Notes payable	12,059,763	-	(503,552)	11,556,211	459,573	11,096,638
Installment purchases	94,736	2,729,129	(20,647)	2,803,218	145,464	2,657,754
Total long-term debt	17,016,493	27,259,762	(1,339,123)	42,937,132	2,142,879	40,794,253
Other noncurrent						
Accrued compensated absences	3,030,312	1,752,361	(1,529,357)	3,253,316	859,625	2,393,691
Federal Perkins Loan contributions	1,473,560	4,118	-	1,477,678	-	1,477,678
Total long-term liabilities	$21,520,365	$29,016,241	$(2,868,480)	$47,668,126	$ 3,002,504	$44,665,622

7. LONG-TERM INDEBTEDNESS

A. Bonds Payable

The University's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. All of the bonds at the University are Section 9(c) bonds. These 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 the debt.

In fiscal year 2007, the University participated in the Department of the Treasury's fall 2006 B and spring 2007 A 9(c) bond sales to finance the Gateway Residence Halls and the Dining Hall capital projects totaling $24.5 million resulting in new general obligation bond debt for the University.

Aggregate annual maturities of bonds payable for fiscal years after 2007 are:

	Interest Rate	Maturity	Total
General obligation revenue bonds:			
Jones Dining Hall Project, Series 2006 A	4% - 5%	2008	$ 135,000
Langston Hall Project, Series 2002 R	4% - 5%	2010	660,832
Dorm Renovation Project, Series 2002 R	4% - 5%	2010	690,169
Foster Hall Project, Series 2002 R	4% - 5%	2010	592,102
Jones Dining Hall Project, Series 2002 R	4% - 5%	2016	1,351,871
Jones Dining Hall Project 1998 A	4% - 5%	2018	50,000
Jones Dining Hall Project, Series 2004 B	4% - 5%	2018	606,338
Gateway Residence Halls, Series 2006 B	4% - 5%	2026	16,780,000
Construct Dining Hall, Series 2006 B	4% - 5%	2026	4,330,000
Gateway Residence Halls, Series 2007 A	4% - 5%	2027	2,020,000
Add unamortized premiums (net of discounts):			1,361,391
Total bonds payable			$ 28,577,703

Aggregate annual maturities of bonds payable for fiscal years after 2007 are:

Maturity	Principal	Interest	Total
2008	$ 1,537,842	$ 1,288,095	$ 2,825,937
2009	1,647,694	1,219,541	2,867,235
2010	1,726,522	1,145,227	2,871,749
2011	1,081,191	1,059,600	2,140,791
2012	1,141,046	1,005,541	2,146,587
2013 – 2017	6,390,168	4,116,294	10,506,462
2018 – 2022	6,866,849	2,505,349	9,372,198
2023 – 2027	6,825,000	768,488	7,593,488
Add unamortized premiums (net of discounts):	1,361,391	-	1,361,391
Total	$ 28,577,703	$ 13,108,135	$41,685,838

B. Notes Payable

The University entered into a loan agreement with the Department of Housing and Urban Development (HUD) in 1989 and closed the agreement in 1992 to borrow funds to repair seven dormitories. The loan is to be repaid over 30 years at three percent interest and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. In prior years, the University participated in the Virginia College Building Authority (VCBA) Pooled Bond Program to fund the renovation of Rogers Stadium and the Student Village Housing Renovation Project. At June 30, 2007, the outstanding balances were $2,105,097 for the HUD loan and $8,980,000 for the VCBA notes payable.

A summary of future principal and interest requirements of the HUD loan and VCBA notes payable as of June 30, 2007, are as follows:

Maturity	Principal	Interest	Total
2008	$ 459,573	$ 507,569	$ 967,142
2009	478,036	487,418	965,454
2010	501,604	466,194	967,798
2011	525,279	443,863	969,142
2012	544,066	419,701	963,767
2013 – 2017	3,131,257	1,688,159	4,819,416
2018 – 2022	3,890,282	865,503	4,755,785
2023 – 2027	1,555,000	118,503	1,673,503
Add unamortized premiums	471,114	-	471,114
Total	$11,556,211	$ 4,996,910	$16,553,121

C. Installment Purchases

In July 2007, the University entered into a fifteen-year Energy Performance Program lease agreement with First Municipal Credit Corporation through the Department of the Treasury in the amount of $2,729,129. The interest rate for this financing is 4.3 percent. Included in the total installment purchase liability are buses financed through the Master Equipment Leasing Program with $74,089 in remaining principal at an interest rate of 3.39 percent.

Principal and interest payment commitments as of June 30, 2007, are as follows:

Maturity	Principal	Interest	Total
2008	$ 145,464	$ 138,798	$ 284,262
2009	161,391	114,026	275,417
2010	168,170	107,246	275,416
2011	159,390	100,336	259,726
2012	158,152	93,729	251,881
2013 – 2017	899,384	360,020	1,259,404
2018 – 2022	1,111,267	148,138	1,259,405
Total	$2,803,218	$1,062,293	$3,865,511

D. Foundation Debt

To fund construction of the University Apartments at Ettrick, the VSUREF received proceeds from Industrial Development Authority (IDA) Bonds issued by Chesterfield County. The bonds consist of a Series 2002 A for $17,710,000 and a Series 2002 B for $480,000. The bonds were issued on November 19, 2002, amended September 1, 2004, and paid off on December 1, 2006, when the Foundation refinanced the bonds and obtained $20,920,000 in Series 2006 bonds. The Series 2006 bonds are collateralized by the rental property and equipment. Also, the VSUREF is required to maintain a debt service reserve. The 2006 series matures on July 1, 2031. The VSUREF has agreed to prepayment terms of the principal to the Trustee with payments due on July 1 as follows:

Payments Due July 1,	Principal
2008	$ 120,000
2009	320,000
2010	475,000
2011	540,000
2012	590,000
thereafter	18,875,000
Total	$20,920,000

In conjunction with the refinancing of the IDA Bonds, loan costs of approximately $1,019,000 were incurred and will be amortized over the debt period. Included in amortization expense for the year ended June 30, 2007, is $578,694 of loan costs related to the original bonds which were written off due to the refinancing.

The VSUREF has entered into an interest rate swap agreement as part of the provisions of the Series 2002 bond agreement. Per the terms of the swap agreement, the VSUREF pays a fixed rate of interest of 3.905 percent. When the Foundation issued the 2006 Series bonds, the original swap agreement was satisfied and a new interest rate swap agreement was obtained. Per the terms of the 2006 swap agreement, the Foundation pays a fixed rate of interest of 4.08 percent. The interest rate swap agreements qualify as derivative financial instruments and are used to mitigate the effect of interest rate fluctuations. The Foundation accounts for the interest rate swaps as fair value hedges; whereby, the fair value of these contracts is reflected in other liabilities in the accompanying statement of financial position with the offsets recorded as expenses. The fair value of these contracts was a negative $643,071 at June 30, 2007. This is the amount the Foundation would have to pay to settle the interest rate swaps as of June 30, 2007.

In conjunction with the bond issuance, the University signed a support agreement with the VSUREF stating that the University Apartments at Ettrick Project will be an equal part of the Student Housing Program. The University will provide preferential treatment to assign 95 percent occupancy if the debt service coverage ratio is less than 1.2 to 1, and the University will limit additional housing projects.

8. STATE APPROPRIATIONS

The University receives State appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of a biennium.

The following is a summary of State appropriations received by the University for the year ended June 30, 2007:

Virginia State University:	
Original legislative appropriation:	
Education and general programs	$ 31,743,590
Higher education student financial assistance	3,482,724
Supplemental adjustments:	
Central fund appropriation transfers	501,461
Appropriation decrease for change in June 24, 2006 payroll timing	(611,005)
State grants	31,847
VIVA interlibrary loan allocation	4,914
Year end cash reversion	(173,209)
Total University	34,980,322
Cooperative Extension and Agricultural Research Services:	
Original legislative appropriation:	
Education and general programs	4,459,525
Supplemental adjustments:	
Central fund appropriation transfers	114,380
Appropriation decrease for change in June 24, 2006 payroll timing	(40,073)
Year end cash reversion	(176,909)
Total Extension Service	4,356,923
Total state appropriations	$ 39,337,245

9. EXPENSES BY NATURAL CLASSIFICATION

The following table shows a classification of expenses both by function, as listed in the Statement of Revenues, Expenses, and Changes in Net Assets and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Salaries and wages	Fringe benefits	Services and supplies	Scholarship and fellowships	Utilities	Depreciation	Total
Instruction	$19,811,211	$ 5,759,000	$ 9,423,110	$ 101,819	$ 160,646	$ -	$35,255,786
Research	1,879,218	531,207	378,201	12,704	34,295	-	2,835,625
Public service	3,221,439	839,260	3,412,396	19,563	207,205	-	7,699,863
Academic support	3,069,153	847,653	1,120,731	82,350	40,104	-	5,159,991
Student services	2,419,317	819,848	1,035,543	33,250	47,906	-	4,355,864
Institutional support	5,770,367	2,396,884	2,109,149	7,626	155,679	-	10,439,705
Operation and maintenance of plant	585,909	264,323	5,164,696	-	4,014,743	-	10,029,671
Scholarships and fellowships	-	-	-	1,173,610	-	-	1,173,610
Auxiliary enterprises	3,953,273	1,296,665	12,252,904	1,324,513	2,352,158	-	21,179,513
Other	-	-	31,124	-	-	-	31,124
Depreciation	-	-	-	-	-	9,453,107	9,453,107
Total	$40,709,887	$12,754,840	$ 34,927,854	$ 2,755,435	$ 7,012,736	$9,453,107	$107,613,859

10. COMMITMENTS

As of June 30, 2007, the University was a party to construction contracts totaling $52,095,062 of which $18,407,235 was still outstanding as of June 30, 2007.

11. RETIREMENT PLANS

A. Virginia Retirement System

Employees of the University are employees of the Commonwealth of Virginia. Substantially all full-time classified salaried employees of the University participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The VRS does not measure assets and pension benefit obligations separately for individual State institutions. Therefore, all information relating to this plan is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report. The Commonwealth, not the University, has the overall responsibility for contributions to this plan. The CAFR discloses the unfunded pension benefit obligation at June 30, 2007, as well as the ten-year historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's total VRS contributions were $2,839,920 for the year ended June 30, 2007, which included the five percent employee contribution assumed by the employer. These contributions represent 11.3 percent of covered payroll for the year. The University's payroll costs for employees covered by the VRS for the year ended June 30, 2007, were $25,191,914. The University's total payroll costs for the year ended was $40,709,887.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in two other retirement plans the Fidelity Investments Institutional Services plan and the Teacher Insurance and Annuity Association/College Retirement Equity Fund. These are fixed-contribution programs where the retirement benefits received are based upon the employer and employee contributions totaling 10.4 percent, plus interest and dividends.

Individual contracts issued under these plans provide full and immediate vesting of both the University and the participants' contributions. Total pension costs under these plans were approximately $805,512 for the year ended June 30, 2007. Contributions to the optional retirement programs were calculated using the base salary amount of approximately $7,745,308.

C. Deferred Compensation

University employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The matched dollar amount can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the Internal Revenue Code. The University expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was $168,655 for fiscal year 2007.

12. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance programs, 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 for its retirees who have at least 15 years of state service and participate in the State's health plan. Information relating to these plans is available at the statewide level in the Commonwealth of Virginia's CAFR.

13. CONTINGENCIES

The University has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with various regulations issued by the Office of Management and Budget. Failure to comply with these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2007, the University estimates that no material liabilities will result from such audits or questions.

The University has been a defendant in several legal actions. The final outcome can not be determined at this time, but 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.

14. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors, and omissions; non-performance of duty, injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The State employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the CAFR.

15. SUBSEQUENT EVENTS

In the fall of 2007, the University participated in the Commonwealth's 2007 sale of 9(c) bonds for the construction of two residence halls. The total cost of construction is $26,253,000. This item was in the 2007 Virginia Acts of Assembly, chapter 847, Item C – 232.65 New Construction: Construct Two Residence Halls (17479).

Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

March 19, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia State University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of **Virginia State University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, discussed in Note 1A. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates the amounts included for the component units of the University is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component units of the University as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages two through thirteen is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency entitled "Promptly and Accurately Complete Reconciliations," which is described in the section titled "Internal Control and Compliance Findings and Recommendations" to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

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 grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards. This instance of noncompliance or other matter, entitled "Improve Employment Eligibility Verification Process" is described in the section titled "Internal Control and Compliance Findings and Recommendations."

The University's response to the findings identified in our audit is included in the section entitled "University Response." We did not audit the University's response and, accordingly, we express no opinion on it.

Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on March 6, 2008.

AUDITOR OF PUBLIC ACCOUNTS

JHS/wdh

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Vice President for Administration & Finance

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March 12, 2008

MAR 17 '08 AM 11:39

Mr. Walter Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218-1295

RE: Response to FY 2007 Audit Findings and Recommendations

Dear Mr. Kucharski:

Virginia State University appreciates the opportunity to respond to the Internal Control and Compliance Findings and Recommendations related to the University's June 30, 2007 financial statements. In accordance with Government Auditing Standards, we are providing the following response for inclusion in your published report.

Promptly and Accurately Complete Reconciliations

The Auditor of Public Accounts recommended that the University complete all reconciliations within a month of receiving information from outside sources such as the Department of Accounts. While the University was successful in preparing prompt and accurate preliminary reconciliations of Banner to CARS, the final reconciliations for FY 2007 were not prepared as timely due to unforeseen and uncontrollable staffing issues, coupled with the impact of a delay in completing the CIPPS payroll interface to Banner. The University recognizes the importance of the reconciliation process as an important internal control and has taken actions to prevent future delays with this important function. A critical vacancy, primarily responsible for the reconciliations, has been filled and additional staff has been cross-trained to assist with any backlog and to ensure sufficient staff backup exists.

Improve Employment Eligibility Verification Process

The Office of Human Resources has reviewed its process for completing the I-9 and has begun ensuring that employees complete the I-9 on the first day of employment effective November 2007. It had been the understanding of the staff that the I-9 had to be completed within three days of employment. In an effort to comply with federal guidelines, a process for continuously reviewing I-9 forms will be completed on or before March 31, 2008. Additionally, the Office of Human Resources will coordinate training for HR employees with an anticipated completion date of April 2008.

Hiring Managers are informed that employees may not begin working without formal notification from the Office of Human Resources. This information will be provided again as part of the I-9 procedures and training for supervisors and managers.

The University remains committed to addressing these findings appropriately. We would like to thank you and your staff for your continued collaboration and support in improving the University and for working so diligently to ensure completion of this audit prior to our SACS site visit. We look forward to next year's audit.

Sincerely,

Clementine S. Cone

Clementine S. Cone
Vice President for Administration and Finance

cc: Dr. Eddie N. Moore, Jr., President
Mr. David A. Von Moll, State Comptroller
The Honorable Dr. Thomas R. Morris, Secretary of Education
Mr. Richard D. Brown, Director of Planning and Budget

VIRGINIA STATE UNIVERSITY
Petersburg, Virginia

BOARD OF VISITORS
As of June 30, 2007

ADMINISTRATIVE OFFICERS