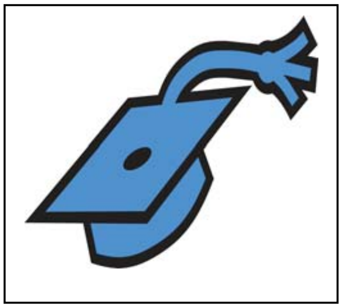
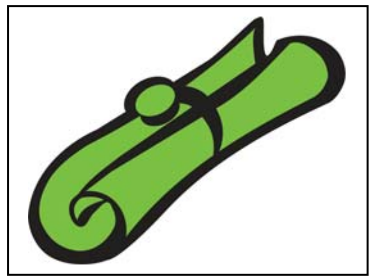
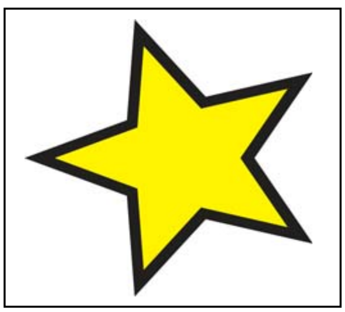
VIRGINIA COLLEGE SAVINGS PLAN







ANNUAL REPORT FOR THE PERIOD ENDED
JUNE 30, 2007

-TABLE OF CONTENTS-

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Virginia College Savings Plan's Management Discussion and Analysis is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist the reader in focusing on significant financial issues and provides an overview of financial activity. This discussion includes an analysis of the Plan's financial condition and results of operations for the fiscal year ended June 30, 2007. Since this presentation includes summarized data, it should be read in conjunction with the accompanying financial statements and notes.

The Virginia College Savings Plan (the Plan) operates the Commonwealth's Internal Revenue Code (IRC) Section 529 qualified tuition program, which offers three options, the Virginia Prepaid Education Program (VPEP), the Virginia Education Savings Trust (VEST), and CollegeAmerica. VPEP is considered a defined benefit plan which offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at the Commonwealth's higher education institutions and differing payouts at private or out-of-state institutions. Annually, the Plan's actuary determines the actuarial soundness of VPEP. Key factors used in the soundness analysis include potential tuition increases (both short and long-term) as well as anticipated investment performance.

VEST is a defined contribution program which allows participants to make contributions into their selected investment portfolio(s). VEST accounts are subject to market investment risk, including the possible loss of principal. CollegeAmerica is also a defined contribution plan which offers 22 different American Funds mutual fund products as investment options. CollegeAmerica participants also bear all market risk for their investment, including the potential loss of principal. The American Funds acts as program manager for this program and provides all back office and operational activities for the program.

Financial Highlights

- Total VPEP cash, cash equivalents, and investments increased by $289.9 million, or 22.5 percent, due to both new participation in the program and continued favorable market conditions.
- VPEP's total net assets increased by $148.7 million to an actuarially determined positive reserve of $122.2 million as compared to a deficit $26.5 million in the prior year.
- VPEP's actuarially determined tuition benefits payable liability increased by $113.0 million, or approximately 7.0%, which was primarily due to the additional obligation for over 4,200 new contracts opened during the 2006 – 2007 enrollment period.
- VEST net assets held in trust for program participants increased by $276.5 million or about 37.8 percent, which was due to strong investor participation and continued favorable market conditions.
- CollegeAmerica net assets held in trust for program participants increased by approximately 45.6 percent over the previous year to $23.0 billion, due to the continued popularity of the program as well as favorable market conditions. CollegeAmerica remained the largest IRC Section 529 program in the nation at June 30, 2007.

Overview of Financial Statements

This discussion and analysis is an introduction to the Plan's basic financial statements, which includes the Plan's business-type activity or enterprise fund, the fiduciary or private purpose trust funds, and the notes to the financial statements.

<u>Business-Type Activity</u>

All VPEP activities are accounted for in an enterprise fund, which is used to account for governmental operations that are financed and operated in a manner similar to a private sector business. Enterprise funds report activities that charge fees for supplies or services to the general public. This activity is reported on the full accrual basis of accounting. This means that all revenue and expenses are reflected in the financial statements even if the related cash has not been received or paid as of June 30th.

The Statement of Net Assets presents information on all VPEP assets and liabilities, with the difference between the two reported as total net assets. Over time, increases and decreases in net assets indicate whether VPEP's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year, including both actual as well as actuarially determined contributions from participants and distributions for higher education expenses.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, financing, and investing activities.

<u>Fiduciary Funds</u>

VEST and CollegeAmerica are reported as private purpose trust funds. Private purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations or other governments, and use the full accrual basis of accounting. The activities of the Plan's private purpose trust funds are reported in the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

<u>Notes to the Financial Statements</u>

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Analysis of Enterprise Fund Financial Activities

VPEP's net assets exceeded liabilities by $122.2 million during the fiscal year. Table 1 reflects the condensed Statement of Net Assets for fiscal year 2007 compared to fiscal year 2006.

Table 1
Statement of Net Assets as of June 30, 2007 and 2006
(dollars in millions)

	2007	2006
Current assets	$ 278.1	$ 188.3
Investments	1,376.1	1,177.8
Other noncurrent assets	227.2	237.8
Total assets	1,881.4	1,603.9
Current liabilities	113.1	77.0
Noncurrent liabilities	1,646.1	1,553.4
Total liabilities	1,759.2	1,630.4
Net assets:		
Invested in capital assets	0.1	0.2
Unrestricted	122.1	(26.7)
Total net assets	$ 122.2	$ (26.5)

Overall the net assets increased by approximately $148.7 million.

Assets

Current assets increased by $89.8 million over the previous year. This was due to several factors. Cash and cash equivalents, which includes short-term investments, increased by $76.3 million and may be attributed to the short-term investment decisions made by selected VPEP investment managers who elected to hold more short-term, liquid investments at year end. In addition, cash equivalents and investments held by the Treasurer as part of the Commonwealth's securities lending program increased from the previous year by approximately $15.3 million. Finally, accounts receivable increased by $1.7 million. This amount represents the increase in second quarter administrative fee revenue to be collected from the CollegeAmerica program. Offsetting these increases, however, was the decrease in current tuition contributions receivable over the prior year of $3.7 million. This amount represents the net decrease in the actuarially determined amount expected to be collected from contract holders of record in the coming fiscal year and can be attributable to lower contract sales during the enrollment period as well as an increasing number of contracts that have attained paid in full status.

Investments increased by $198.3 million, or approximately 16.8 percent, due in part to strong investment performance during the fiscal year. In addition, tuition contributions increased over the prior year due to lump sum/down payments on new contracts as well as continued participation by existing contract holders.

Other noncurrent assets decreased by $10.6 million, which was due to the decrease in the noncurrent portion of the tuition contributions receivable. Again, this represents the decrease in the actuarially determined amount expected to be collected from contract holders of record in future years.

Liabilities

Total tuition benefits payable, reflected in both current and noncurrent liabilities above, increased by $113.0 million, or approximately 7.0 percent. Of this total change, $20.3 million is reflected as current, while the remainder is reflected in noncurrent liabilities. The total increase represents the change in the actuarial present value of the future tuition obligation. Changes in the present value of the future tuition benefit obligation can be attributed to the changes in the present value discount due to the passage of time, differences between actual experience and the actuarial assumptions used, and any modification of the actuarial assumptions. However, this increase is primarily due to the additional estimated obligation for over 4,200 new contracts issued during the 2006 – 2007 enrollment period.

Actuarial Highlights

During fiscal year 2007, VPEP's actuarial position, as calculated by the Plan's actuary and reported in the 2007 Actuarial Valuation Report, improved by $148.7 million, from a deficit of $26.5 million to a positive reserve of $122.2 million. This improvement is primarily attributable to much larger than anticipated gains on the Plan's investments, lower than anticipated increases in the actual tuition rates for the academic year, and revenue from new sales.

The return on investments for the fiscal year was 14.6% on both a time-weighted basis and a dollar-weighted basis. For the June 30, 2006 actuarial valuation, a 7.0 percent return was assumed. This produced a net actuarial gain of approximately $100.2 million.

Average tuition rates for the 2007-2008 academic year increased approximately 6.7 percent for universities and 11.2 percent for community colleges, compared to the 8.0% and 7.0% rates assumed in the prior valuation. This resulted in an actuarial gain of $15.1 million.

The Plan sold over 4,200 new contracts during the year. Each contract was priced so as to contribute to the Plan's reserve. The reserve was increased by approximately $12.3 million from these new contracts.

The Plan's actuaries update the assumption for the volatility of the investment portfolio used in the stochastic projections each year to reflect historical experience. This change in assumption increased the Plan's reserve by $4.3 million. In addition, it was projected that the actuarial deficit would grow during the year by approximately $1.9 million due to the passage of time. This is due to the calculation of the obligations as present values which grow with interest with the passage of time.

The Plan received administrative fee revenue from all the Plan's programs including VPEP, VEST, and CollegeAmerica. This fee revenue increased the reserve by a net $17.9 million.

The overall effect of the changes on the actuarial reserve (deficit) is summarized in the following table. Please note that the 2007 Actuarial Valuation Report may be obtained from the Plan.

Table 2
(amounts in millions)

Actuarial reserve (deficit) at June 30, 2006	$ (26.5)
Investment gain (loss)	100.2
Tuition gain (loss)	15.1
Sales of new contracts	12.3
Change to investment volatility assumption	4.3
Net Administrative Fee Revenue from VCSP	17.9
Interest on prior deficit at 7.00%	(1.9)
Miscellaneous	0.8
Actuarial reserve (deficit) at June 30, 2007	$ 122.2

Table 3 reflects a condensed Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2007 as compared to the prior year.

Table 3
Statement of Revenues, Expenses, and Changes
in Net Assets for June 30, 2007 and 2006
(dollars in millions)

	2007	2006
Operating revenues:		
Interest and dividends	$ 90.2	$ 74.4
Net increase (decrease) of fair value of investments	101.5	31.1
Tuition contributions	113.6	149.6
Other	22.7	16.6
Total operating revenue	328.0	271.7
Operating expenses:		
Personal services	4.1	3.5
Contractual services	3.7	3.8
Tuition benefits expense	170.0	230.1
Other	1.4	0.7
Total operating expenses	179.2	238.1
Operating income (loss)	148.8	33.6
Transfer to Commonwealth	(0.1)	(0.1)
Change in net assets	148.7	33.5
Net assets – beginning	(26.5)	(60.0)
Net assets – ending	$ 122.2	$ (26.5)

Market conditions remained positive throughout most of the fiscal year and VPEP investments performed much better than projected, with an increase in interest, dividends, and realized gains of $15.8 million, or approximately 21.2%, over the prior year. In addition, the net increase in fair value reported this year as compared to last increased by $70.4 million, or approximately 226.3%. Investment fair value changes on a daily basis depending upon market conditions each day. Therefore, this number will fluctuate from year to year, depending upon market conditions on June 30th, or the last business day of the quarter.

Actual tuition contributions from participants decreased by $17.0 million over prior year receipts. In any enrollment period, over 40% of new contract holders elect to fund their contracts with upfront, lump sum payments. In the 2006 – 2007 enrollment period, 1,500 fewer contracts were sold than in the prior year. Accordingly, actual tuition contributions from participants also decreased. In addition, actuarially estimated tuition contributions decreased significantly as a result of fewer contract sales during the fiscal year and the number of existing contracts that have now reached their paid-in-full status.

The tuition benefits expense reflected in Table 3 represents both the actual distributions made to higher education institutions on behalf of program participants and the additional amount accrued for estimated expenses each year, which is determined by the Plan's actuary. Actual distributions increased over the prior year by $14.0 million, or 32.5%. This is attributable to an increase in the number of students using their benefits and to increases in tuition and mandatory fees at the higher education institutions. The actuarially estimated expense decreased over the amount accrued in the prior year by $74.2 million, or approximately 39.7%. Again, this can be attributed to 1,500 fewer contracts being sold during the year, which reduced the amount required to be accrued, as well as normal and anticipated usage reducing the previously accrued amounts.

Table 4 reflects the condensed Statement of Cash Flows.

Table 4
Statement of Cash Flows for June 30, 2007 and 2006
(dollars in millions)

	2007	2006
Cash provided (used) by:		
Operating activities	$ 83.9	$ 109.7
Noncapital financing activity	(0.1)	(0.1)
Capital and related financing activities	-	(0.1)
Investing activities	(7.5)	(96.8)
Net increase (decrease) in cash	76.3	12.7
Cash – beginning of year	99.0	86.3
Cash – end of year	$ 175.3	$ 99.0

As stated previously, tuition contributions decreased from the previous year by $17.0 million, thus reducing the overall cash provided (used) by operating activities. In addition, tuition benefit payments to higher education institutions increased by $14.0 million, which was a primary use of operating cash. Somewhat offsetting these cash decreases, net cash administrative fee revenue collected by VCSP increased by approximately $5.6 million from the continued growth of CollegeAmerica and VEST. The Plan receives 10 basis points annually in administrative fees, which is accumulated daily and paid on a quarterly basis based on the daily market value of total assets in CollegeAmerica.

The change in the amount reflected as investing activities for 2007 represents an overall net increase in the amount of proceeds from sales or maturities of investments and actual interest earnings. Overall, the markets continued to perform well during the fiscal year and the Plan's investment managers sought to maximize the portfolio's performance.

Analysis of Fiduciary Fund Financial Activities

Participation in the VEST program continued to grow during the fiscal year. Contributions from Plan participants increased over the previous year by approximately $45.6 million. Contributions represent participation from new account holders as well as continued contributions from existing participants. Due to very favorable market conditions during the fiscal year, total income on investments increased by $69.4 over the prior year. As anticipated, overall deductions increased over the prior year, by approximately 33.5%, as more participants withdrew funds to cover tuition expenses.

Assets under management in CollegeAmerica, which launched February 15, 2002, increased by approximately 45.6% during the fiscal year, from $15.8 billion to more than $23.0 billion. New unique accounts opened during the year were approximately 252,000. As expected, the total of tuition benefits paid and shares redeemed in CollegeAmerica increased significantly this fiscal year over last, by over $459.3 million, as more beneficiaries become eligible to use their benefits. CollegeAmerica remains the largest Section 529 program in the country.

Economic Factors and Outlook

The Plan continues to remain optimistic that market conditions over the long term will be positive and that the Plan's portfolio will continue to exceed performance expectations. However, with uncertainty over the Commonwealth's potential revenue shortfall for the coming fiscal year, the Plan has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 8.5% for the next two years and by 7.5% annually thereafter. Tuition increases above these projections would have an immediate, detrimental impact on the Plan's outstanding long-term obligation. However, with the legislative requirement that the institutions provide updated, long-term tuition projections, the Plan remains in a much better position to prepare for future tuition and fee increases.

FINANCIAL STATEMENTS

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF NET ASSETS - ENTERPRISE FUND
VIRGINIA PREPAID EDUCATION PROGRAM
As of June 30, 2007

ASSETS	
Current assets:	
Cash and cash equivalents (Note 1D, 2 and 3)	$ 180,641,273
Investments held by the Treasurer of Virginia (Note 3)	21,151,155
Interest receivable	3,301,144
Tuition contributions receivable (Note 1E)	67,448,976
Accounts receivable (Note 1F)	5,595,670
Total current assets	278,138,218
Noncurrent assets:	
Investments (Note 1D and 2)	1,376,097,392
Tuition contributions receivable (Note 1E)	227,043,126
Depreciable capital assets, net (Note 1G and 6)	145,381
Total noncurrent assets	1,603,285,899
Total assets	1,881,424,117
LIABILITIES	
Current liabilities:	
Accounts payable	1,815,251
Due to program participants (Note 1H)	63,333
Obligations under securities lending (Note 3)	26,520,055
Tuition benefits payable (Note 5)	84,567,587
Compensated absences (Note 1I and 5)	114,964
Total current liabilities	113,081,190
Noncurrent liabilities:	
Tuition benefits payable (Note 5)	1,645,914,515
Compensated absences (Note 1I and 5)	228,216
Total noncurrent liabilities	1,646,142,731
Total liabilities	1,759,223,921
NET ASSETS	
Invested in capital assets, net of related debt	145,381
Unrestricted (Note 9)	122,054,815
Total net assets	$ 122,200,196

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND - VIRGINIA PREPAID EDUCATION PROGRAM
For the Fiscal Year Ended June 30, 2007

Operating revenues:	
Charges for sales and services	$ 22,679,923
Interest, dividends, rents, and other investment income	90,175,694
Net increase in fair value of investments	101,524,237
Tuition contributions (Note 7)	127,986,092
Actuarial tuition contributions (Note 7)	(14,324,488)
Total operating revenues	328,041,458
Operating expenses:	
Personal services	4,129,145
Contractual services	3,723,006
Supplies and materials	72,525
Depreciation	63,677
Rent, insurance, and other related charges	241,842
Tuition benefits expense (Note 7)	57,000,879
Actuarial tuition benefits expense	112,965,512
Expendable equipment	128,641
Other	869,550
Total operating expenses	179,194,777
Operating income	148,846,681
Transfers:	
Transfers to the General Fund of the Commonwealth	(146,176)
Change in net assets	148,700,505
Net assets - July 1, 2006	(26,500,309)
Net assets - June 30, 2007	$ 122,200,196

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF CASH FLOWS
ENTERPRISE FUND - VIRGINIA PREPAID EDUCATION PROGRAM
For the Fiscal Year Ended June 30, 2007

Cash flows from operating activities:	
Receipts for sales and services	$ 20,951,068
Payments to suppliers for goods and services	(438,963)
Payments to employees	(3,858,623)
Tuition contributions received	127,954,673
Payments for contractual services	(3,614,496)
Tuition benefit payments	(57,000,879)
Net cash provided by (used for) operating activities	83,992,780
Cash flows from noncapital financing activities:	
Transfer to the General Fund of the Commonwealth	(146,176)
Net cash provided by (used for) noncapital financing activities	(146,176)
Cash flows from capital and related financing activities:	
Acquisition of fixed assets	(29,835)
Net cash provided by (used for) capital and related financing activities	(29,835)
Cash flows from investing activities:	
Purchase of investments	(2,198,065,833)
Proceeds from sales or maturities of investments	2,101,290,283
Interest income on cash, cash equivalents, and investments	89,280,271
Net cash provided by (used for) investing activities	(7,495,279)
Net increase in cash and cash equivalents	76,321,490
Cash and cash equivalents - July 1, 2006	98,950,883
Cash and cash equivalents - June 30, 2007	$ 175,272,373
Reconciliation of cash and cash equivalents:	
Per the Statement of Net Assets:	
Cash and cash equivalents	$ 180,641,273
Less:	
Securities Lending Cash Equivalents	(5,368,900)
Cash and cash equivalents per the Statement of Cash Flows	$ 175,272,373

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
VIRGINIA PREPAID EDUCATION PROGRAM (continued)
For the Fiscal Year Ended June 30, 2007

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 148,846,681
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	63,677
Interest, dividends, rents and other investment income	(89,280,271)
Net increase in fair value of investments	(101,524,237)
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,991,281)
(Increase) decrease in tuition contributions receivable	14,324,488
Increase (decrease) in accounts payable	542,562
Increase (decrease) in amounts due to program participants	(32,900)
Increase (decrease) in current tuition benefits payable	20,267,587
Increase (decrease) in current compensated absences	(12,653)
Increase (decrease) in noncurrent tuition benefits payable	92,697,925
Increase (decrease) in noncurrent compensated absences	91,202
Net cash provided by (used for) operating activities	$ 83,992,780
Noncash investing, capital, and financing activities:	
The following transaction occurred prior to the statement of net assets date:	
Change in fair value of investments	$ 101,524,237

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF FIDUCIARY NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS
As of June 30, 2007

	Virginia Education Savings Trust	CollegeAmerica	Total
Assets:			
Cash and cash equivalents (Note 1D and 2)	$ 6,032,080	$ -	$ 6,032,080
Receivables:			
Interest and dividends	1,057,648	-	1,057,648
Investments: (Note 1D and 2)			
Mutual funds	541,040,942	23,038,206,113	23,579,247,055
Index funds	267,577,037	-	267,577,037
Guaranteed investment contracts	133,652,903	-	133,652,903
Common stock	57,510,172	-	57,510,172
Total investments	999,781,054	23,038,206,113	24,037,987,167
Total assets	1,006,870,782	23,038,206,113	24,045,076,895
Liabilities:			
Accounts payable	934,947	-	934,947
Due to program participants (Note 1H)	314,636	-	314,636
Total liabilities	1,249,583	-	1,249,583
Net assets held in trust for program participants	$ 1,005,621,199	$ 23,038,206,113	$ 24,043,827,312

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

VIRGINIA COLLEGE SAVINGS PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2007

	Virginia Education Savings Trust	CollegeAmerica	Total
Additions:			
Contributions:			
From participants	$ 200,000,769	$ 5,286,970,397	$ 5,486,971,166
Charges for services	317,316	-	317,316
Total contributions	200,318,085	5,286,970,397	5,487,288,482
Investment income:			
Net increase in fair value of investments	85,254,400	2,453,300,967	2,538,555,367
Interest, dividends, and other investment income	38,065,625	1,005,611,588	1,043,677,213
Total investment income	123,320,025	3,458,912,555	3,582,232,580
Less investment expenses	(2,164,833)	(14,768,245)	(16,933,078)
Net investment income	121,155,192	3,444,144,310	3,565,299,502
Total additions	321,473,277	8,731,114,707	9,052,587,984
Deductions:			
Tuition benefits paid	38,600,128	610,494,647	649,094,775
Shares redeemed	6,484,396	890,297,028	896,781,424
Administrative expenses	317,316	19,103,096	19,420,412
Total deductions	45,401,840	1,519,894,771	1,565,296,611
Net increase	276,071,437	7,211,219,936	7,487,291,373
Net assets held in trust for program participants:			
July 1, 2006	729,549,762	15,826,986,177	16,556,535,939
June 30, 2007	$ 1,005,621,199	$ 23,038,206,113	$ 24,043,827,312

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

NOTES TO FINANCIAL STATEMENTS

VIRGINIA COLLEGE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Virginia College Savings Plan (the Plan), an independent agency of the Commonwealth of Virginia, was created in 1994 by the Virginia General Assembly and its enabling legislation is codified at §23-38.75 through §23-38.87 of the Code of Virginia, as amended. The Plan operates the Commonwealth's IRC §529 qualified tuition program, which offers three options, the Virginia Prepaid Education Program (VPEP), the Virginia Education Savings Trust (VEST), and CollegeAmerica.

VPEP is a defined benefit program, which offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at Virginia higher education institutions. The contract provisions also allow benefits to be used at private or out-of-state institutions with a payout based on the amounts charged by Virginia's higher education institutions. VPEP has a limited enrollment period each year, and is open to children in the ninth grade or younger if the child or participant is a Virginia resident. Since inception, over 89,800 accounts have been opened, with approximately 71,300 contracts remaining active at year-end. The program had total assets invested from contributions and net earnings of approximately $1.6 billion as of June 30, 2007. The program invests contract payments to meet future obligations. Operating costs are paid from program earnings. The Plan does not receive any general fund appropriations. The program's assets and income are exempt from federal, state, and local income taxation. Legislation was passed in 1998 to provide a financial guarantee to cover VPEP contractual obligations in the event of a funding shortfall.

VEST is a defined contribution program, which allows participants of all ages to save for qualified higher education expenses, including tuition and fees, at any qualified higher education institution by making contributions into the investment portfolio(s) of their choice. New participants are allowed to select from among 16 investment portfolios. Two additional portfolios are still actively traded in the VEST program but are closed to new participation. The VEST program, which is open year round, has no age or residency restrictions, and carries no legislative guarantee of return of principal. VEST accounts are subject to market investment risk, including the possible loss of principal. VEST began operation in December 1999. As of June 30, 2007, over 93,000 accounts have been opened with a net asset value of approximately $1.0 billion. Investment management fees and VEST operating expenses are paid on a pro-rata basis by each VEST account owner and vary according to the portfolio selected. VEST accounts provide investors with the same federal and state tax benefits available to participants in the prepaid program.

In 2001, the Board of the Virginia College Savings Plan entered into a 15-year contract with Capital Research and Management Company, American Funds Distributors, Inc., and American Funds Service Company, Inc. (together, the American Funds) to administer a broker-sold IRC §529 college savings option using 21 of the American Funds. This program, called CollegeAmerica, is a defined contribution plan which launched on February 15, 2002. The American Funds acts as program manager and provides all back office and operational activities for the program. As a result of this structure, the Plan's staff has minimal day-to-day administrative responsibility, other than program oversight and review.

In 2006, the contract between the Virginia College Savings Plan and American Funds was extended an additional ten (10) years to the year 2027. In addition, on October 2, 2006, the Short-Term Bond Fund of America began investment operations and was immediately available as an offering in CollegeAmerica.

Like VEST, CollegeAmerica allows participants of all ages to save for qualified higher education expenses by selecting from among 22 currently offered funds. CollegeAmerica is available year round, has no age or residency restrictions, and carries no legislative guarantee of return of principal. Accounts are subject to market risk, including the possible loss of principal. As of June 30, 2007, approximately 1.47 million unique accounts had been opened with net assets in excess of $23.0 billion. (A unique account represents all accounts with the same contributor and beneficiary combination.) Fees and expenses of the program are also paid on a pro-rata basis by each account owner and vary according to the fund and share class selected. CollegeAmerica provides investors with the same federal and state tax benefits available to participants in VPEP and VEST.

While CollegeAmerica activity is reflected in total in this report, a separate audited report for each of the 22 funds offered in the CollegeAmerica program is published annually by the American Funds. Each of the funds has a different year ending date, so these audited reports are published throughout the year. An individual fund audit report includes that fund's results for all share classes offered in the fund, including the five IRC §529 share classes created for the CollegeAmerica program. These individual fund reports are available from the American Funds.

An eight-member Board administers the Plan, consisting of four members who sit on the Board by virtue of the state offices they hold and four citizen members appointed by the Governor. The ex-officio members are the Executive Director of the State Council of Higher Education for Virginia, the Chancellor of the Virginia Community College System, the State Treasurer, and the State Comptroller. State law mandates that the four citizen members have significant experience in finance, accounting, and investment management.

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 Plan is an integral part of the reporting entity of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The following is a summary of significant accounting policies employed by the Virginia College Savings Plan.

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Account Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

B. Reporting Entity

The accompanying financial statements report the financial position, and the changes in financial position and cash flows of the Plan as of and for the fiscal year ended June 30, 2007. For financial reporting purposes, the Plan includes all funds and entities over which the Plan exercises or has the ability to exercise oversight authority.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Plan reports the activity of the Virginia Prepaid Education Program as an enterprise fund, which is a type of proprietary fund. Enterprise funds account for transactions related to resources received and used for financing self-supporting activities of the Plan that offer products and services on a user-charge basis to external users. All operating expenses and all administrative fee revenue collected to support Plan operations, including administrative revenue and expenses of VEST and CollegeAmerica, are reflected in the enterprise fund.

The Plan reports the activity of the Virginia Education Savings Trust and CollegeAmerica as private-purpose trust funds, which is a type of fiduciary fund. Private-purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments.

The financial statements of the proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating. The principal operating revenues of the Plan are tuition contributions for program participants and investment income. Operating expenses of the plan include tuition benefits expense and contractual and personal services.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for using proprietary fund activities. All proprietary funds reported herein apply all applicable Governmental Accounting Standards Board pronouncements and all Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

D. Cash Equivalents and Investments

Money market investments of the Plan, which are deemed short-term, highly liquid investments, are reported at amortized cost. Long-term investments of the Plan are recorded at fair value based upon quoted market prices. Cash equivalents are investments with an original maturity of three months or less.

The Plan also participates in the Commonwealth's General Account pool, which is managed by the State Treasurer. These pooled investments are valued on an amortized cost basis. The Plan receives income on a quarterly basis from the Commonwealth based on the Plan's relative participation during the quarter. The Plan receives no additional distribution of unrealized gains or losses in the fair values of the pool's investments.

E. Tuition Contributions Receivable

Tuition contributions receivable in VPEP represents the actuarially determined present value of future payments anticipated from contract holders.

F. Accounts Receivable

Accounts receivable reflected in VPEP include the amount due from the American Funds for second quarter administrative fees collected on behalf of the Plan from the CollegeAmerica program. The American Funds pays the Plan an annual fee equal to one tenth of one percent (.10 percent) of the average daily net asset value of the underlying funds held in CollegeAmerica. This fee is accrued daily and paid to the Plan on a quarterly basis.

G. Capital Assets

Fixed assets are capitalized and depreciated on a straight-line basis over their useful lives. Fixed assets are valued at historical cost. The Plan capitalizes all property, plant, and equipment that have a cost or value greater than $5,000 and an expected useful life of greater than two years; however, prior to fiscal year 2006 all computer equipment was capitalized regardless of cost or value.

H. Amounts Due To Program Participants

Amounts due to program participants reflects amounts due to participants who cancelled or overpaid prepaid tuition contracts or savings trust accounts, or requested qualified withdrawals, prior to June 30, 2007, but had not yet received a refund or disbursement.

I. Accrued Leave Policy

Employees accrue annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. The maximum accumulation is dependent upon years of service, but in no case may it exceed 42 days. All employees leaving the agency are paid for accrued vacation leave up to the maximum calendar year limit at their current earnings rate.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated annual leave payable upon termination is included in the accompanying financial statements. The liability at June 30, 2007, was computed using salary rates effective at that date and represents vacation and compensatory leave earned up to the allowable ceilings. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, included in the liability is the agency's share of FICA taxes on leave balances for which employees will be compensated.

Employees of the Plan have elected to participate in the Virginia Sickness and Disability Program. The Virginia Retirement System (VRS) administers the program to provide income protection for absences due to sickness or disability from the first day on the job. After a seven calendar-day waiting period following the first incident of disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of State service. After a 180 calendar-day waiting period (125 work days of short-term disability) eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65, or until death. Employees enrolled in this program are not eligible for disability retirement benefits under the VRS.

All State agencies are required to contribute to the cost of providing disability benefits. Initial contribution requirements to fund the program were determined by the VRS actuary based on an estimate of the amount of the liability for disability benefits that would transfer from VRS to the new program. The contribution requirement was 1.78 percent of payroll for State employees. Further information about this program can be found in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Board of the Virginia College Savings Plan has established investment guidelines for each of the Plan's investment programs which are in accordance with §23-38.80 of the *Code of Virginia*, as amended. This section of the *Code* requires the Board to discharge its duties in a manner which will provide the investment return and risk level consistent with the actuarial return requirements and cash flow demands of the Plan and conforming to all statutes governing the investment of Plan funds. The Board shall exercise the judgment of care under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but to the permanent disposition of funds, considering the probable income as well as the probable safety of their capital when investing funds. In order to meet the return requirements, the Plan's portfolio shall be invested in a broadly diversified portfolio of domestic and foreign stocks, bonds, and cash equivalent investments, which are defined as investments with an original maturity of three months or less. The Board's allocation target for the overall VPEP portfolio, at market value, is 60 percent investment in equity securities and 40 percent investment in fixed income instruments. The Board's allocation targets for the VEST program vary according to the investment objective of each portfolio. To assist with the investment of the Plan assets, the Board has selected a group of 24 external managers and/or funds. In addition, the Plan has monies invested by the State Treasurer as part of the Commonwealth's General Account for both VPEP and VEST.

The Board authorized its partner, the American Funds, to offer 22 of their mutual funds to investors in CollegeAmerica. The Board has oversight and review authority for the investment activity and operations of the CollegeAmerica program. The American Funds is required to seek renewed approval of the use of these mutual funds on an annual basis.

Custodial Credit Risk

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. All deposits of the VPEP and VEST programs are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400, of the *Code of Virginia*.

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2007, all investments of the VPEP and VEST programs, except those investments in open-end mutual funds, were held in the Plan's name by the Plan's custodian, Mellon Global Securities Services. Approximately 27 percent of total VPEP investments (reported as enterprise fund assets) and 81 percent of total VEST investments (reported as a private-purpose trust fund) are invested in open-end mutual funds. All investments of the CollegeAmerica program (also a private-purpose trust fund) are also invested in mutual funds. Investments in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by physical securities.

Interest Rate Risk

As of June 30, 2007, the Plan had the following investments and maturities.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money Market Funds	$ 36,251,650	$ 36,251,650	$ -	$ -	$ -
U.S. Treasuries	53,531,557	-	8,473,940	21,778,932	23,278,685
Agency Mortgage Backed Securities	39,379,228	-	-	11,136,372	28,242,856
Asset Backed Securities	6,861,970	-	-	144,993	6,716,977
Corporate Bonds	94,569,689	-	21,368,958	48,977,381	24,223,350
Other Bonds	149,858,259	-	23,014,766	13,595,752	113,247,741
Bond Funds	22,819,645	-	11,882,510	10,937,135	-
Guaranteed Investment Contracts	73,615,735	-	73,615,735	-	-
Repurchase Agreement	50,100,000	50,100,000	-	-	-
Total	$526,987,733	$ 86,351,650	$138,355,909	$106,570,565	$195,709,609

The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk of Debt Securities

The Plan's investment policy requires its debt securities managers to invest in holdings which, on average, are comprised of high quality issues and may not include securities deemed to be below investment grade. Investment grade is generally defined as a rating of BBB or above by one of the major ratings agencies. This requirement does not apply to the Plan's managers who are instructed to manage a specific "High-Yield" fixed income investment strategy, whether in a separate account or as a dedicated allocation within a broader fixed income portfolio. The Plan's rated debt investments as of June 30, 2007 were rated by Standard and Poor's and/or Moody's and the ratings are presented in the following chart. The Plan participated in various open-end mutual funds that are unrated and are not included in this presentation.

Quality Rating	Investment Type								
	Money Market Funds	U.S. Treasuries	Agency Mortgage Backed Securities	Asset Backed Securities	Corporate Bonds	Other Bonds	Bond Funds	Guaranteed Investment Contracts	Repurchase Agreement
AAA	$36,251,650	$53,531,557	$39,379,228	$5,159,403	$9,851,643	$84,506,468	-	-	-
Aa3	-	-	-	-	$919,896	-	-	-	-
AA+	-	-	-	-	$9,287,069	($13,407)	-	-	-
AA	-	-	-	-	$3,152,507	-	-	-	-
Aaa	-	-	-	-	-	$573,559	-	-	-
Aa2	-	-	-	$489,160	-	-	-	-	-
AA-	-	-	-	-	$3,397,567	-	-	-	-
A+	-	-	-	$141,152	$7,016,893	$7,573,477	-	-	-
A	-	-	-	-	$5,574,421	$1,326,412	-	-	-
A1	-	-	-	-	$1,046,734	-	-	-	-
A-	-	-	-	-	$3,022,062	$5,252,069	-	-	-
BBB+	-	-	-	-	$8,721,077	$3,574,405	-	-	-
BBB	-	-	-	-	$16,256,882	$7,425,891	-	-	-
BBB-	-	-	-	-	$5,643,350	$2,916,474	-	-	-
BB+	-	-	-	$437,367	$6,974,000	$3,618,742	-	-	-
BB	-	-	-	-	$3415,659	$2,076,775	-	-	-
BB-	-	-	-	-	$3,667,828	$1,548,406	-	-	-
B+	-	-	-	-	$870,152	$5,745,413	-	-	-
B	-	-	-	-	$4,591,213	$3,947,612	-	-	-
B-	-	-	-	-	$321,061	$5,067,315	-	-	-
Less than B-	-	-	-	$428,026	$839,675	$2,765,777	-	-	-
P-2	-	-	-	-	-	-	$1,072,120	-	-
Unrated	-	-	-	$206,862	-	$11,952,871	$21,747,525	$73,615,735	$50,100,000

Concentration of Credit Risk

At June 30, 2007, the Plan had no investments in any one issuer that represented 5 percent or more of total investments.

Mutual Fund Risks

At June 30, 2007, the Plan participated in a number of open-end domestic and foreign equity and fixed income mutual funds. These funds are subject to various investment risks, including the possibility that the value of the fund's portfolio holdings may fluctuate in response to events specific to the companies in which the fund invests, as well as economic, political or social events in the United States or abroad. Certain of the mutual funds may be subject to additional risks due to investments in a more limited group of sectors and industries than the broad market. Those funds with holdings issued by entities based outside the United States are subject to foreign securities risks, including currency fluctuations.

The value of and the income generated by debt securities held by certain of the mutual funds the Plan participates in may be affected by changing interest rates and credit risk assessments. Lower quality or longer maturity bonds may be subject to greater price fluctuations than higher quality or shorter maturity bonds.

Prospectuses for each of the mutual funds the Plan participates in may be requested from the Virginia College Savings Plan, P.O. Box 607, Richmond, VA 23218-0607, or at www.virginia529.com. A prospectus may also be requested directly from each of the underlying fund managers. Please see Appendix A for a listing of VPEP and VEST mutual funds.

Prospectuses for each CollegeAmerica mutual fund offering may be obtained directly from the American Funds or from a financial adviser. Please see Appendix A for a listing of CollegeAmerica mutual funds.

3. SECURITIES LENDING TRANSACTIONS

A portion of the balance sheet line item Cash and cash equivalents and the line item Investments held by the Treasurer represent the Plan's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

4. OPERATING LEASES

Throughout the fiscal year, the Plan leased satellite office facilities in West Chester, PA as a disaster recovery site as well as office space for the Plan's information technology division, College Savings Systems, under an operating lease. Total costs for this lease were $27,228 for the year ended June 30, 2007. The Plan will terminate this lease effective September 30, 2007. Under the terms of the lease agreement, all lease payments are made quarterly in advance. Therefore, there are no future minimum lease payments remaining under the terms of this lease at the close of the fiscal year.

5. LONG-TERM LIABILITIES

Long-term liabilities of the Plan include tuition benefits payable, which represents the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Virginia Prepaid Education Program. Also, reflected in the enterprise fund are the accrued compensated absences for the Plan's employees.

Enterprise Fund	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Due Within One Year
Compensated absences	$ 264,631	$ 196,320	$ 117,771	$ 343,180	$ 114,964
Tuition benefits payable	1,617,516,590	178,341,557	65,376,045	1,730,482,102	84,567,587
Total	$1,617,781,221	$178,537,877	$ 65,493,816	$1,730,825,282	$84,682,551

6. CAPITAL ASSETS

The following schedule presents capital asset activity of the Plan for the year ended June 30, 2007.

Enterprise Fund	July 1, 2006	Increases	Decreases	June 30, 2007
Depreciable capital assets:				
Equipment	$ 557,142	$ 29,835	$ -	$ 586,977
Less accumulated depreciation for:				
Equipment	377,919	63,677	-	441,596
Total depreciable capital assets, net of accumulated Depreciation	$ 179,223	$ (33,842)	$ -	$ 145,381

7. ACTUARIAL TUITION CONTRIBUTIONS AND ACTUARIAL TUITION BENEFITS EXPENSE

The actuarial tuition contributions and the actuarial tuition benefits expense line items represent the annual accrual of contributions receivable and the obligation for distribution expenses determined by the actuarial valuation. At June 30, 2007, the accrual of the actuarially determined tuition contributions receivable decreased over the prior year, which resulted in negative actuarial tuition contributions reported as operating revenue.

8. RETIREMENT AND PENSION PLAN

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

9. RISK MANAGEMENT

The Virginia College Savings Plan 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 Plan 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 Plan 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 Commonwealth of Virginia's Comprehensive Annual Financial Report.

10. VIRGINIA COLLEGE SAVINGS PLAN SCHOLARSHIP PROGRAM

The Virginia College Savings Plan scholarship program consists of VPEP and VEST scholarship accounts established to provide a range of benefits to future beneficiaries. The purpose of the program is to enable individuals, organizations, community groups, corporations, and trusts to make qualified charitable contributions, which are used to purchase VPEP tuition and fee contracts and to open VEST accounts for at-risk youth. The VCSP scholarship program's mission is to work with community partners to make the dream of college a reality for deserving youth in Virginia.

At June 30, 2007, the VCSP owned 56 active VPEP contracts and 59 active VEST accounts.

APPENDIX A

Mutual Funds By Program

VPEP

Investment Manager	Underlying Mutual Fund
Vanguard Group	Institutional Index Fund
Vanguard Group	Small Cap Index Fund
Vanguard Group	Total Stock Market Index Fund
Vanguard Group	Total Bond Market Index Fund
Vanguard Group	Inflation-Protected Securities Fund
Vanguard Group	REIT Index Fund
Templeton Institutional Funds, Inc.	Templeton Foreign Equity Series
Capital Research & Management Co.	American Funds EuroPacific Growth Fund

VEST

Investment Manager	Underlying Mutual Fund
Vanguard Group	Institutional Index Fund
Vanguard Group	Small Cap Index Fund
Vanguard Group	LifeStrategy Growth Fund
Vanguard Group	LifeStrategy Moderate Growth Fund
Vanguard Group	LifeStrategy Income Fund
Vanguard Group	Prime Money Market Fund
Vanguard Group	Total Stock Market Index Fund
Vanguard Group	Total Bond Market Index Fund
Vanguard Group	Total International Stock Index Fund
Vanguard Group	Inflation-Protected Securities fund
Vanguard Group	REIT Index Fund
Templeton Institutional Funds, Inc.	Templeton Foreign Equity Series
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Western Asset Management	Western Core Bond Portfolio

COLLEGEAMERICA (Investment Manager - American Funds)

AMCAP Fund	Washington Mutual Investors Fund
The Growth Fund of America	Capital Income Builder Fund
The New Economy Fund	The Income Fund of America
EuroPacific Growth Fund	American Balanced Fund
New Perspective Fund	American High-Income Trust Fund
New World Fund	The Bond Fund of America
SMALLCAP Fund	Capital World Bond Fund
American Mutual Fund	Intermediate Bond Fund of America
Capital World Growth & Income Fund	Short-Term Bond Fund of America
Fundamental Investors Fund	U.S. Government Securities Fund
The Investment Company of America	The Cash Management Trust of America

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 6, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

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

Board Members
Virginia College Savings Plan

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the **Virginia College Savings Plan**, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Virginia College Savings Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 the Virginia College Savings Plan as of June 30, 2007, and the changes in its financial position and its cash flows 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 one through seven are not a required part of the basic financial statements, but are 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2007 on our consideration of the Virginia College Savings Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

KKH/wdh

VIRGINIA COLLEGE SAVINGS PLAN
Richmond, Virginia

BOARD MEMBERS
As of June 30, 2007

EXECUTIVE DIRECTOR

Ms. Diana F. Cantor