

OLD DOMINION UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2006**



AUDIT SUMMARY

Our audit of Old Dominion University for the year ended June 30, 2006, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses; and
- no instances of noncompliance or other matters required to be reported.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Old Dominion University's (the University) financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2006. Comparative numbers, where presented, are for the fiscal year ended June 30, 2005. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, Notes to Financial Statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

Institutional Profile

Old Dominion University takes its unique character from its location in Hampton Roads, as it provides leadership to the state and nation in innovative teaching, cutting edge research and dedicated service. Its location near one of the world's major seaports and its proximity to seven major cities helps the University fill a special role for the Commonwealth in commerce, and in international affairs and cultures. It has a significant commitment in science, engineering and technology, particularly in fields of major importance to the region. As a metropolitan institution, the University places particular emphasis upon urban issues, including education, health care, and fine and performing arts.

Students currently choose from 67 baccalaureate programs, 68 master's programs, 2 education specialist programs and 26 doctoral programs. More than 21,500 undergraduate and graduate students comprise the Old Dominion University student body. Residence halls and apartments on campus house 2,350 students, while another 6,000 live nearby within walking distance of the campus. Another 4,000 are distance learners located throughout Virginia and other states – even on ships at sea – who rarely ever set foot on campus. A significant percentage of students are in some way connected to the military.

Statement of Net Assets

The Statement of Net Assets presents the University's assets, liabilities, and net assets as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a snapshot of the University's financial position at year-end. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

	<u>2006</u>	<u>2005</u>	<u>Difference</u>	<u>Percentage Difference</u>
Assets:				
Current	\$ 58,146,943	\$ 55,066,174	\$ 3,080,769	6%
Capital, net of accumulated depreciation	270,780,578	237,589,208	33,191,370	14%
Other non-current	<u>79,526,145</u>	<u>43,119,698</u>	<u>36,406,447</u>	<u>84%</u>
Total assets	<u>408,453,666</u>	<u>335,775,080</u>	<u>72,678,586</u>	<u>22%</u>
Liabilities:				
Current	48,342,597	44,517,331	3,825,266	9%
Non-current	<u>131,759,560</u>	<u>78,995,542</u>	<u>52,764,018</u>	<u>67%</u>
Total liabilities	<u>180,102,157</u>	<u>123,512,873</u>	<u>56,589,284</u>	<u>46%</u>
Net assets:				
Invested in capital assets, net of related debt	164,050,243	161,269,385	2,780,858	2%
Restricted	33,352,256	26,953,546	6,398,710	24%
Unrestricted	<u>30,949,010</u>	<u>24,039,276</u>	<u>6,909,734</u>	<u>29%</u>
Total net assets	<u>\$228,351,509</u>	<u>\$212,262,207</u>	<u>\$16,089,302</u>	<u>8%</u>

Total University assets increased \$72,678,586 or 22 percent during fiscal year 2006. The growth in assets was a result of an increase in capital and non current assets. Capital assets increased \$33,191,370 primarily due to construction in progress related to various capital projects. The rise in non current assets was directly related to additional funding for capital projects through bond proceeds and appropriations. Total University liabilities increased \$56,589,284. The rise in liabilities was a result of additional payables associated with new construction and the issuance of new debt for the related construction projects.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents a summary of revenue and expense activity which resulted in the change from beginning to ending net assets. The purpose of this statement is to present the University's operating and non-operating revenues recognized and expenses incurred and any other revenues, expenses, gains, and losses.

Generally, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the University's mission. Salaries and fringe benefits for faculty and staff are the largest type of operating expense.

Non-operating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are non-operating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

	<u>2006</u>	<u>2005</u>	<u>Difference</u>	<u>Percentage Difference</u>
Operating revenues:				
Student tuition and fees, net of scholarship allowances of \$12,568,561 and \$12,185,780	\$ 64,974,566	\$ 58,799,334	\$ 6,175,232	11%
Federal grants and contracts	14,883,485	15,964,000	(1,080,515)	(7%)
State, local and nongovernmental grants	6,369,632	4,703,003	1,666,629	35%
Auxiliary enterprises, net of scholarship allowances of \$5,368,562 and \$4,597,069	47,815,260	41,608,305	6,206,955	15%
Other	<u>5,350,238</u>	<u>4,240,654</u>	<u>1,109,584</u>	<u>26%</u>
Total operating revenues	<u>139,393,181</u>	<u>125,315,296</u>	<u>14,077,885</u>	<u>11%</u>
Operating expenses:				
Instruction	88,581,935	94,000,539	(5,418,604)	(6%)
Research	14,746,886	3,192,855	11,554,031	362%
Public service	449,734	496,818	(47,084)	(9%)
Academic support	31,401,355	25,806,347	5,595,008	22%
Student services	8,356,319	7,561,856	794,463	11%
Institutional support	18,520,732	18,851,517	(330,785)	(2%)
Operation and maintenance	17,902,468	13,333,012	4,569,456	34%
Depreciation	17,874,181	15,705,349	2,168,832	14%
Scholarships and fellowships	6,886,699	6,640,073	246,626	4%
Auxiliary activities	<u>38,610,742</u>	<u>30,295,318</u>	<u>8,315,424</u>	<u>27%</u>
Total operating expenses	<u>243,331,051</u>	<u>215,883,684</u>	<u>27,447,367</u>	<u>13%</u>
Operating loss	(103,937,870)	(90,568,388)	(13,369,482)	(15%)
Net nonoperating revenues and expenses	<u>106,733,345</u>	<u>91,744,547</u>	<u>14,988,798</u>	<u>16%</u>
Income before other revenues, expenses, gains and losses	2,795,475	1,176,159	1,619,316	138%
Other revenues	<u>14,996,737</u>	<u>19,658,102</u>	<u>(4,661,365)</u>	<u>(24%)</u>
Increase in net assets	17,792,212	20,834,261	(3,042,049)	(15%)
Net assets - beginning of year (as restated)	<u>210,559,297</u>	<u>191,427,946</u>	<u>19,131,351</u>	<u>10%</u>
Net assets - end of year	<u>\$228,351,509</u>	<u>\$212,262,207</u>	<u>\$16,089,302</u>	<u>8%</u>

Total operating revenue increased by \$14,077,885 or 11 percent from the prior fiscal year. The growth in revenue was expected given the rise in both in state and out of state tuition rates as well as an increase in enrollment. An increase in auxiliary enterprise revenue was the result of increases in fees. Another component of operating revenue is state and nongovernmental grants and contracts, which climbed due to additional funding for existing grants and the addition of several new grants. Non-operating revenue increased by \$14,988,798. The largest growth was the result of increased state appropriations for base adequacy. The University also experienced an increase in gifts and investment income.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is presented in four defined categories: operations, non-capital financing, capital financing, and investing activities.

Cash flow from operating reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees (\$73.5 million) and auxiliary enterprises (\$55.1 million). The primary uses are payments to employees, including salaries, wages, and fringe benefits (\$147.6 million), and payments to vendors (\$52.7 million).

Cash flow from non-capital financing reflects non-operating sources and uses of cash. The primary sources are state appropriations (\$102.5 million) and gifts and grants (\$6.4 million). The primary use is to support cash requirements of operations.

Cash flow from capital financing activities reflects the activities related with the acquisition and construction of capital assets including related debt payments. The primary source is proceeds from issuance of bonds (\$36.9 million). The primary uses are purchases of capital assets (\$33.9 million), and principal and interest paid on capital debt (\$9.6 million).

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities	\$(91,996,518)	\$(71,457,107)
Cash flows from non-capital financing activities	107,216,044	93,538,135
Cash flows from capital financing activities	11,654,549	(2,535,487)
Cash flows from investing activities	<u>6,145,837</u>	<u>7,471,711</u>
Net change in cash	<u>\$ 33,019,912</u>	<u>\$ 27,017,252</u>

Capital Asset and Debt Administration

Overall, funds invested in capital assets reflect the ongoing campus construction. Major capital projects include a parking garage, quad student housing, athletic facilities, renovations of student housing, health and physical education facilities, and physical science and technology buildings. Major additions to capitalized assets include capital building construction of \$43,515,512, and equipment purchases of \$6,065,331. These amounts are offset by an annual depreciation expense of \$17,874,181.

The University's long-term debt increased by \$49,638,839. The increase is primarily the net result of the issuance of note payables for capital projects and new capital leases totaling \$54,932,501, offset by the payment of existing debt of \$5,293,662. As calculated, the net investment in plant to plant debt ratio is 1.55.

Overall, uncompleted construction and other related contractual commitments increased from \$4,533,109 at June 30, 2005, to \$22,240,402 at June 30, 2006. Further information relating to capital assets, construction, and capital debt is included in the Notes to the Financial Statements in Notes 6, 8, 9, and 14.

Economic Outlook

Old Dominion University is, in many ways, a model of the university of the 21st Century. The University's Six-year Strategic and Financial Plan includes goals such as accessibility, affordability, expanded research, adoption of technology in the classroom, and new programs; as well as contributions to economic development, and partnerships with schools, businesses, community agencies, and groups.

The University will maintain its solid financial foundation and is well positioned to continue its pursuit of excellence in teaching, research, and service. With the additional \$14.1 million in general funds received, the \$6.9 million in nongeneral funds generated by the anticipated 4.3 percent enrollment growth, and the 8 percent increase in tuition, the University is able to accomplish the objectives identified in the Six-year Strategic and Financial Plans.

The University plans to admit about 6,000 additional students over the next six years. To accommodate this growth, the University has planned a more residential campus, and has obtained the necessary authority to develop additional student housing and facilities in anticipation of the expanded numbers. The University will also expand its number of students at the higher education centers in Hampton, Virginia Beach, Suffolk and Northern Virginia. The University has repositioned these centers to be more responsive to workforce needs. In addition, the University will expand its distance learning programs by moving to a hybrid model of synchronous/asynchronous learning.

The University will continue to invest in centrally funded financial aid and scholarships for students. In the current operating budget, the University has invested over \$2.3 million in undergraduate and graduate student financial aid. The University's mandatory tuition and fees are among the lowest in the Commonwealth because it serves a population of first-generation university students from families without the ability to provide greater financial support. Future plans keep tuition pricing reasonable by committing to single-digit annual tuition increases ranging from approximately four to eight percent for undergraduates, and four to five percent for graduates over the next six years.

The University added five new PhD programs in the last year, has the first PhD. program in the nation in modeling and simulation, and is attracting researchers from around the world while it collaborates with the other universities in the Commonwealth. As pioneers in the field of bio-electrics, the University has created a multi-million dollar research center that has brought several new companies and significant monetary investment to Virginia. The University's work with Eastern Virginia Medical School continues to expand, and by combining research efforts, the goal is to attract even more nationally funded and recognized research.

In its 2005 session, the Virginia General Assembly adopted legislation to make Virginia's public colleges and universities more efficient, more competitive, more accessible to Virginia students, and more accountable to tuition-paying students, parents, and taxpayers. The legislation establishes a framework by which unnecessary bureaucracy will be reduced, and Virginia's public institutions of higher education will have enhanced ability to plan for the future and manage their operations more efficiently; all of which will benefit students, parents, and taxpayers.

Recognizing that the public institutions of higher education have different capabilities and resources, the amount of additional authority to be granted will be based on the institution's ability and willingness to manage itself. This additional authority falls into three levels. The first level was granted to all institutions based on a resolution by the institution's Board of Visitors agreeing to make certain commitments to the state. Each institution was authorized to apply for second level authority, which granted additional operational authority. Institutions meeting certain eligibility requirements were permitted to apply for third level authority, which allowed them "to assume full responsibility for management of the institution" in a number of key financial and management areas. Level two authority has not yet been defined. In the interim, the University is exploring the ramifications of level three authority.

FINANCIAL STATEMENTS

OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2006

	Old Dominion University	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 41,821,922	\$ 13,520,556
Accounts receivable - Net of allowance for doubtful accounts \$232,347 (Note 5)	10,637,325	12,496,804
Contributions receivable - Net of allowance for doubtful collections \$417,818 (Note 13)	-	969,027
Due from the Commonwealth (Note 9)	3,389,008	-
Travel advances	-	23,417
Prepaid expenses	993,004	138,559
Inventory	600,385	-
Notes receivable - Net of allowance for doubtful accounts \$21,277	705,299	192,994
Total current assets	58,146,943	27,341,357
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	52,143,820	-
Endowment investments (Note 3)	10,047,861	-
Investments (Note 13)	-	3,122,620
Other long-term investments (Notes 3 and 13)	15,155,496	155,655,342
Contributions receivable - Net of allowance for doubtful collections \$210,815 (Note 13)	-	3,509,853
Notes receivable - net of allowance for doubtful accounts \$94,105	2,178,968	-
Unamortized bond issuance expense	-	1,597,465
Nondepreciable capital assets (Notes 6 and 13)	69,765,418	18,376,789
Depreciable capital assets (Notes 6 and 13)	201,015,160	50,236,782
Total noncurrent assets	350,306,723	232,498,851
Total assets	408,453,666	259,840,208
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	22,104,597	6,828,860
Deferred revenue	7,024,116	2,864,362
Obligations under securities lending (Note 3)	7,655,367	-
Deposits held in custody for others	1,412,737	397,834
Other liabilities	-	12,073,927
Line of credit	-	2,064,090
Long-term liabilities - current portion (Notes 8 and 13)	10,145,780	977,204
Total current liabilities	48,342,597	25,206,277
Noncurrent liabilities (Notes 8 and 13)	131,759,560	70,311,687
Total liabilities	180,102,157	95,517,964

NET ASSETS		
Invested in capital assets, net of related debt	164,050,243	1,166,742
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,925,641	-
Permanently restricted	-	95,372,412
Expendable:		
Scholarships and fellowships	3,941,376	-
Research	2,032,907	-
Loans	3,184,067	-
Capital projects	10,008,952	-
Temporarily restricted	-	57,200,296
Departmental uses	9,259,313	-
Unrestricted	30,949,010	10,582,794
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Total net assets	\$ 228,351,509	\$ 164,322,244
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The accompanying Notes to Financial Statements are an integral part of this statement.

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees - net of scholarship allowances of \$12,568,561	\$ 64,974,566	\$ -
Gifts and contributions	-	4,947,775
Federal grants and contracts	14,883,485	-
State grants and contracts	2,291,492	-
Indirect cost	-	6,428,849
Sponsored research	-	29,103,719
Nongovernmental grants and contracts	4,078,140	-
Auxiliary enterprises - net of scholarship allowances of \$5,368,562 (Note 10)	47,815,260	-
Other operating revenues	5,350,238	10,402,455
Total operating revenues	139,393,181	50,882,798
Operating expenses: (Note 11)		
Instruction	88,581,935	2,317,301
Research	14,746,886	33,665,293
Public service	449,734	-
Academic support	31,401,355	2,906,513
Student services	8,356,319	-
Institutional support	18,520,732	13,909,463
Operation and maintenance	17,902,468	273,680
Depreciation	17,874,181	2,337,778
Student aid	6,886,699	917,785
Auxiliary activities (Note 10)	38,610,742	-
Total operating expenses	243,331,051	56,327,813
Operating loss	(103,937,870)	(5,445,015)
Nonoperating revenues/(expenses):		
State appropriations (Note 12)	102,530,134	-
Gifts	6,394,262	-
Investment income - net of investment expenses of \$218,277	3,423,067	10,802,038
Other	(395,222)	-
Interest of capital asset - related debt	(3,500,788)	-
Payments to Commonwealth from state appropriations	(1,688,576)	-
Payments to grantors	(29,532)	-
Net nonoperating revenue	106,733,345	10,802,038
Income before other revenues, expenses, gains and losses	2,795,475	5,357,023
Capital appropriations	16,510,896	-
Bond issuance expense	(155,767)	-
Capital gifts	1,555,534	-
Other revenues	81,151	-
Disposal of plant assets	(2,995,077)	-
Contributions to permanent endowments	-	13,520,780
Total other revenues, expenses, gains, and losses	14,996,737	13,520,780
Increase in net assets	17,792,212	18,877,803
Net assets - beginning of year, restated (Note 2)	210,559,297	145,444,441
Net assets - end of year	\$ 228,351,509	\$ 164,322,244

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

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Student tuition and fees	\$ 73,519,998
Grants and contracts	21,078,543
Auxiliary enterprises	55,059,285
Other receipts	2,117,788
Payments to employees	(118,114,731)
Payments to fringe benefits	(29,468,117)
Payments for services and supplies	(52,722,714)
Payments for travel	(3,818,370)
Payments for scholarships and fellowships	(27,996,207)
Payments for noncapitalized improvements and equipment	(11,917,476)
Loans issued to students	(399,986)
Collections of loans from students	665,469
Net cash used by operating activities	<u>(91,996,518)</u>
Cash flows from noncapital financing activities:	
State appropriations	102,530,134
Payments to the Commonwealth from state appropriations	(1,688,576)
Gifts and grants for other than capital purposes	6,393,405
William D. Ford direct lending receipts	53,892,265
William D. Ford direct lending disbursements	(53,892,265)
PLUS loans receipts	5,902,791
PLUS loans disbursements	(5,902,791)
Refund to the federal government	(29,532)
Agency receipts	1,831,930
Agency payments	(1,821,317)
Net cash provided by noncapital financing activities	<u>107,216,044</u>
Cash flows from capital financing activities:	
Proceeds from capital appropriations and investments	15,966,289
Proceeds from issuance of bonds	36,930,000
Bond premium	2,099,664
Capital gifts	106,000
Purchase of capital assets	(33,853,875)
Principal paid on capital debt, leases and installments	(5,297,034)
Interest paid on capital debt, leases and installments	(4,296,495)
Net cash provided by capital financing activities	<u>11,654,549</u>
Income before other revenues, expenses, gains of loses	<u>26,874,075</u>
Cash flows from investing activities:	
Purchase of investments	4,277,473
Interest on investment and cash management	1,868,364
Net cash provided by investing activities	<u>6,145,837</u>
Net increase in cash	33,019,912
Cash and cash equivalents - Beginning of the year	<u>60,945,830</u>
Cash and cash equivalents - End of the year	<u>\$ 93,965,742</u>

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

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

RECONCILIATION OF NET OPERATING INCOME/(LOSS) TO NET CASH

USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (103,937,870)
Adjustments to reconcile net income/(loss) to net cash used by operating activities	
Depreciation expense	17,874,181
Changes in assets and liabilities:	
Receivables, net	(1,789,212)
Prepaid expenses	(945,084)
Inventory	(139,250)
Accounts payable and accrued expenses	(4,129,888)
Deposits	587,129
Deferred revenue	483,476
	<hr/>
Net cash used by operating activities	\$ (91,996,518)
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Non-cash investing, capital and financing activities:	
Assets acquired through assumption of debt	\$ 14,354,500
Increase in receivables related to nonoperating income	\$ 44,374

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

NOTES TO FINANCIAL STATEMENTS

OLD DOMINION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Old Dominion University (the University) is a modern comprehensive university that is part of the Commonwealth of Virginia's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia, and is included in the basic financial statements of the Commonwealth.

The University includes all entities over which the university exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement 39 standards, the Old Dominion University Educational and Real Estate Foundation, the Intercollegiate Foundation, and the Research Foundation (the Foundations) are included as component units of the University. These foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University.

The Educational and Real Estate Foundation receives, administers, and distributes gifts for the furtherance of educational activities and objectives of the University. The Intercollegiate Foundation receives, administers, and distributes gifts for the furtherance of educational and athletic activities of the University. For additional information on these two foundations, contact Foundation Offices at 129 Koch Hall, Norfolk, Virginia 23529. The Educational and Real Estate and Intercollegiate Foundations have adopted December 31 as the their year-end. All amounts reflected are as of December 31, 2005. The Research Foundation coordinates and accounts for substantially all grants and contracts awarded for research at the University. For additional information, contact the Research Foundation at 2019 Hughes Hall, Norfolk, Virginia 23529.

Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources, or income thereon, that the Foundations hold and invest are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundations can only be used by or for the benefit of the University, the Foundations are considered component units of the University and are discretely presented in the financial statements.

B. Basis of Presentation

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 College and Universities*. The financial statement presentation required by GASB Statements 34 and 35 provides a comprehensive entity-wide look at the University’s financial activities.

GASB Statements 34 and 35 standards are designed to provide information that responds to the needs of three groups of primary users of the general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Under this guidance, the University is required to include a management’s discussions and analysis (MD&A), basic financial statements, notes to the financial statements, and supplementary information other than MD&A.

The Foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (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’ financial information in the University’s financial reporting entity for these differences.

C. Basis of Accounting

For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, its statements have been presented using the economic resource measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. All intra-agency transactions have been eliminated.

The University’s accounting policies conform with generally accepted accounting principles as prescribed by the GASB, including all applicable GASB pronouncements, as well as applicable 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 University has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply the FASB pronouncements issued after the applicable date.

D. Cash and Cash Equivalents

In accordance with the GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

E. Investments

The University accounts for its investments that are purchased at fair value. Investments received by gift are carried at fair value at date of acquisition in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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. Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the federal, state and local governments; or private sources in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts.

G. Prepaid Expenses

The University capitalized periodical subscriptions, membership dues, and conference registrations for fiscal year 2007, that were paid in advance as of June 30, 2006.

H. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, and infrastructure assets such as campus lighting. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years, including assets acquired under the Higher Education Trust Fund. Such assets are recorded at actual cost, or estimated historical cost if purchased or constructed. Library materials are valued using purchase price for library acquisitions. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of \$1,139,225 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2006. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	5-50 years
Other improvements and infrastructure	15-30 years
Equipment	2-25 years
Library materials	5 years

I. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market, and consist primarily of expendable supplies held for consumption.

J. Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, reserve funds, or purchase or construct capital and other noncurrent assets, are classified as noncurrent assets in the Statement of Net Assets.

K. Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees, and certain auxiliary activities prior to the end of the fiscal year, but related to the period after June 30, 2006, and certain grants that have received advance funding but have not met their restriction prior to year end.

L. Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned, but not taken as of June 30, 2006. The amount reflects all earned vacation leave, sick, and compensatory leave payable under the Commonwealth of Virginia's sick leave pay-out policy, and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

M. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

N. Discounts, Premiums, and Bond Issuance Costs

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

O. Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study and Perkins Loans, Stafford Loans, and Parent Loans for Undergraduate Students (PLUS). 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.

P. Net Assets

GASB Statement 34 requires that the Statement of Net Assets report the differences between assets and liabilities as net assets rather than fund balance. Accordingly, the University's net assets are classified as follows:

- *Invested in Capital Assets, Net of Related Debt* consists of total investments in capital assets, net accumulated depreciation and outstanding debt obligations;
- *Restricted Net Assets Nonexpendable* includes endowment and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity;
- *Restricted Net Assets Expendable* represents funds that have been received for specific purposes, and the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties; and
- *Unrestricted Net Assets* represents resources derived from student tuition, and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises.

Q. Classification of Revenues and Expenses

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

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, such as state appropriations and investment and interest income.

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

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

R. Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from charges to students, are reported net of scholarship allowances in the Statements of Revenue, Expenses, and Changes in Net Assets. Scholarship allowances are the differences between the actual charge for goods and services provided by the University, and the amounts that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid. Student financial assistance grants and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship allowance.

2. RESTATEMENT OF NET ASSETS

Beginning Net Assets was adjusted to properly reflect expenses, capitalized assets, and capital leases.

Net assets as previously reported June 30, 2005	\$212,262,207
Current expenses accrued in previous periods	1,128,998
Capital assets and depreciation not previously recorded	(874,492)
Capital leases not previously recorded	<u>(1,957,416)</u>
Net assets as of July 1, 2005	<u>\$210,559,297</u>

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2006. The following risk disclosures are required by GASB Statement Number 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk (Category 3 deposits and investments) - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University is not exposed to custodial credit risk at June 30, 2006.

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk.

Concentration of credit risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB Statement 40 requires disclosure of any issuer with more than five percent of total investments.

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. The University does not have an interest rate risk policy. Interest rate information was organized by investment type and amount using segmented time distribution method.

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign investments or deposits for June 30, 2006.

The following information is provided with respect to the risks associated with the University's cash, cash equivalents, and investments at June 30, 2006.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained 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 collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Deposits

At June 30, 2006, the carrying value of the University's deposits with banks was \$12,015,030, and bank balance was \$452,791. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. Deposits with banks are covered by Federal depository insurance, or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent excess deposits to a collateral pool in the name of the State Treasury Board. At June 30, 2006, the University's deposits were not exposed to custodial credit risk.

Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board's Administration and Finance Committee. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4516, et seq., Code of Virginia. Authorized investments include: United States Treasury and agency securities, municipal securities, corporate debt securities of domestic corporations, agency mortgage-backed securities, negotiable certificates of deposit, repurchase agreements, common and preferred equities, equity in land, and mutual and money market funds.

Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days, but less than or equal to one year. Long-term investments have an original maturity greater than one year.

Security Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of \$7,655,367 represents the University's allocated share of cash collateral received and reinvested, and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

Credit and Concentration of Credit Risks

Type of Investment	Percentage of Investments	Fair Value	Moody's Credit Quality Rating
Cash equivalents:			
Short-term funds	6.11%	\$ 4,700,500	AAA
Repurchase agreement:			
Federal National Mortgage Association	7.19%	5,528,387	AAA
Mutual/money market funds:			
CMA government securities	1.91%	1,471,960	
ML government	0.01%	8,986	
Centennial Government Trust	.27%	205,798	
State Non Arbitrage Program	46.73%	35,954,815	
Securities lending**	5.00%	<u>3,847,663</u>	
Total cash equivalents		<u>51,718,109</u>	
Investments:			
Mutual/money market funds:			
Intermediate term funds	6.93%	5,331,779	AA+
U. S. Treasury and agency securities*:			
U. S. Treasury bond	0.04%	29,551	
Treasury inflation indexed note	0.25%	191,239	
U. S. Treasury interest payment	0.12%	91,695	
U. S. Treasury note	0.42%	324,502	
Government National Mortgage Association	0.04%	31,137	
Corporate bonds:			
Merrill Lynch and Company	0.03%	19,510	Aa3
Municipal securities:			
Choctaw County OK Industrial Development Authority	0.03%	21,263	AAA
Mississippi Development Bank special obligation	0.06%	43,335	AAA
Oregon School Boards Association	0.04%	28,555	AAA
Moorhead MN Economic Development Authority (taxable)	0.08%	60,799	AAA
Agency mortgage backed:			
Federal National Mortgage Association	0.15%	116,033	AAA

Federal Farm Credit Bank	0.08%	63,618	AAA
Federal Home Loan Bank	0.11%	85,256	AAA
Federal Home Loan Mortgage Corporation	0.26%	196,521	AAA
Common and preferred stock**	2.04%	1,567,895	
Other**:			
Equity interest in land	1.38%	1,064,765	
Mutual funds held by Foundations	15.77%	12,128,200	
Securities lending	4.95%	<u>3,807,704</u>	
Total investments		<u>25,203,357</u>	
Total cash equivalents and investments		<u>\$76,921,466</u>	

*Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the U.S. Government.

**Credit quality ratings are not required for these investments, which also do not have specified maturities.

Interest Rate Risk: Maturities

Type of Investment	0-3 Months	4-12 Months	1-5 Years	6-10 Years
Cash equivalents:				
Short-term funds	\$ 4,700,500	\$ -	\$ -	\$ -
Repurchase agreement:				
Federal National Mortgage Association	5,528,387	-	-	-
State Non Arbitrage Program	35,954,815	-	-	-
Securities lending	<u>3,847,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash equivalents	<u>50,031,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments:				
Mutual/money market funds:				
Intermediate Term Fund	-	-	5,331,779	-
CMA Government Securities	1,471,960	-	-	-
ML Government Fund	8,986	-	-	-
Centennial Government Trust	205,798	-	-	-
Securities lending	3,807,704	-	-	-
U. S. Treasury and agency securities:				
U. S. Treasury bond	-	-	-	29,551
Treasury inflation indexed note	-	-	191,239	-
U. S. Treasury strip	-	62,182	29,513	-
U. S. Treasury note	-	-	213,986	110,516
Government National Mortgage Association	-	-	-	31,137
Corporate bonds:				
Merrill Lynch and Company	-	-	19,510	-
Municipal securities:				
Choctaw County OK Industrial Development Authority	-	-	21,263	-
Mississippi Development Bank special obligation	-	-	43,335	-
Oregon School Boards Association	-	-	28,555	-

Moorhead MN Economic Development Authority (taxable)	-	-	-	60,799
Agency mortgage backed:				
Federal National Mortgage Association	-	69,458	-	46,575
Federal Farm Credit Bank	-	24,824	38,794	-
Federal Home Loan Bank	-	-	45,839	39,417
Federal Home Loan Mortgage Corporation	-	<u>51,844</u>	<u>46,358</u>	<u>98,319</u>
Total investments	<u>\$ 5,494,448</u>	<u>\$208,308</u>	<u>\$6,010,171</u>	<u>\$416,314</u>

4. DONOR RESTRICTED ENDOWMENTS

Investments of the University's endowment funds are pooled and consist primarily of gifts and bequests; the use of which is restricted by donor imposed limitations.

The Uniform Management of Institutional Funds Act, Code of Virginia Section 55-268.1 et seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2006, the payout percentage was 4.5 percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2006, net appreciation of \$3,564,190 is available to be spent, which is included in the Statement of Net Assets as Restricted for Non-Expendable Scholarship and Fellowships.

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2006:

Student tuition and fees	\$ 4,811,993
Auxiliary enterprises	2,460,435
Federal, state, and nongovernmental grants and contracts	2,646,617
Other activities	<u>950,627</u>
Gross accounts receivable	10,869,672
Less: allowance for doubtful accounts	<u>232,347</u>
Net accounts receivable	<u>\$10,637,325</u>

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2006 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 31,276,233	\$ 2,386,618	\$ 2,995,078	\$ 30,667,773
Construction-in-progress	<u>13,775,733</u>	<u>43,515,512</u>	<u>18,193,600</u>	<u>39,097,645</u>
Total nondepreciable capital assets	<u>45,051,966</u>	<u>45,902,130</u>	<u>21,188,678</u>	<u>69,765,418</u>
Depreciable capital assets:				
Buildings	287,198,650	18,634,625	-	305,833,275
Infrastructure	1,312,561	-	-	1,312,561
Equipment	51,475,918	6,065,331	1,565,699	55,975,550
Improvements other than buildings	7,068,591	-	-	7,068,591
Library books	<u>45,734,464</u>	<u>3,314,067</u>	<u>118,709</u>	<u>48,929,822</u>
Total depreciable capital assets	<u>392,790,184</u>	<u>28,014,023</u>	<u>1,684,408</u>	<u>419,119,799</u>
Less accumulated depreciation:				
Buildings	120,149,630	10,633,078	-	130,782,708
Infrastructure	1,312,561	-	-	1,312,561
Equipment	34,615,554	4,011,646	778,267	37,848,933
Improvements other than buildings	5,793,407	88,102	-	5,881,509
Library books	<u>39,256,282</u>	<u>3,141,355</u>	<u>118,709</u>	<u>42,278,928</u>
Total accumulated depreciation	<u>201,127,434</u>	<u>17,874,181</u>	<u>896,976</u>	<u>218,104,639</u>
Depreciable capital assets, net	<u>191,662,750</u>	<u>10,139,842</u>	<u>787,432</u>	<u>201,015,160</u>
Total capital assets, net	<u>\$236,714,716</u>	<u>\$56,041,972</u>	<u>\$21,976,110</u>	<u>\$270,780,578</u>

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2006:

Employee salaries, wages and fringe benefits payable	\$ 2,475,254
Vendors and suppliers accounts payable	<u>19,629,343</u>
Accounts payable and accrued expenses	<u>\$22,104,597</u>

8. NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 9), and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2006 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:					
General obligation bonds	\$11,747,916	\$ 4,735,000	\$ 1,807,393	\$ 14,675,523	\$ 1,785,246
Revenue bonds	68,445,000	32,195,000	3,035,000	97,605,000	3,935,000
Installment purchases	-	2,351,500	-	2,351,500	-
Capital leases	<u>2,111,141</u>	<u>15,651,001</u>	<u>451,269</u>	<u>17,310,873</u>	<u>656,651</u>
Total long-term debt	<u>82,304,057</u>	<u>54,932,501</u>	<u>5,293,662</u>	<u>131,942,896</u>	<u>6,376,897</u>
Accrued compensated absences	5,513,070	4,354,710	4,316,833	5,550,947	3,768,883
Federal loan program contributions	348,316	251,251	-	599,567	-
Deferred gain on early retirement of debt	413,626	-	72,375	341,251	-
Capital projects retainage payable	585,821	1,126,537	271,716	1,440,642	-
Amortize bond premium	<u>-</u>	<u>2,099,664</u>	<u>69,627</u>	<u>2,030,037</u>	<u>-</u>
Total long-term liabilities	<u>\$89,164,890</u>	<u>\$62,764,663</u>	<u>\$10,024,213</u>	<u>\$141,905,340</u>	<u>\$10,145,780</u>

9. LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University issued 9(d) bonds directly through underwriters and also participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) also issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue, not otherwise obligated, also secures these notes.

Description	Interest Rates	Maturity	2006
General obligation bonds:			
Dormitory, Series 1983A	3.00%	2013	\$ 1,170,000
Dormitory, Series 1983B	3.00%	2013	1,115,000
Recreation, Series 2003A	2.50% - 5.50%	2010	1,800,801
Smalls, Series 2003A	2.50% - 5.50%	2008	63,759
Parking, Series 2003A	2.50% - 5.50%	2010	1,417,191
Student Center, Series 2003A	2.50% - 5.50%	2011	2,433,772
Dormitory, Series 2002	2.50% - 5.00%	2022	2,185,000
Dormitory, Series 2005	3.50% - 5.00%	2025	<u>4,490,000</u>
Total general obligation bonds			<u>14,675,523</u>
Revenue bonds:			
Classrooms, Series 1997A	4.50% - 5.00%	2018	2,260,000
Classrooms, Series 1999A	4.75% - 5.50%	2010	150,000
Classrooms, Series 2004B	3.00% - 5.00%	2017	4,960,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	565,000
Recreation, Series 1997A	4.50% - 5.00%	2018	1,180,000
Recreation, Series 1999A	4.75% - 5.50%	2010	170,000
Recreation, Series 2000A	5.00% - 5.75%	2021	4,820,000
Recreation, Series 2001A	3.00% - 5.00%	2022	21,265,000
Recreation, Series 2004B	3.00% - 5.00%	2017	5,170,000
Recreation, Series 2004B	3.00% - 5.00%	2020	670,000
Parking, Series 1997A	4.50% - 5.00%	2018	425,000
Parking, Series 1999A	4.75% - 5.50%	2010	250,000
Parking, Series 2000A	5.00% - 5.75%	2021	2,730,000
Parking, Series 2001A	3.00% - 5.00%	2022	6,510,000
Parking, Series 2003A	2.00% - 5.00%	2024	1,820,000
Parking, Series 2004A	3.00% - 5.00%	2025	3,710,000
Parking, Series 2004B	3.00% - 5.00%	2017	2,375,000
Parking, Series 2004B	3.00% - 5.00%	2020	950,000
Athletic Fac. Exp., Series 2004A	3.00% - 5.00%	2025	2,210,000
Athletic Fac. Exp., Series 2005A	3.50% - 5.00%	2026	3,490,000
H&PE Renovation, Series 2004A	3.00% - 5.00%	2025	1,840,000
H&PE Renovation, Series 2005A	3.50% - 5.00%	2026	3,495,000
Indoor Tennis Court, Series 2004A	3.00% - 5.00%	2025	1,380,000
Indoor Tennis Court, Series 2005A	3.50% - 5.00%	2026	2,660,000
Dormitory, Series 2005A	3.50% - 5.00%	2026	<u>22,550,000</u>
Total revenue bonds			<u>97,605,000</u>
Installment purchases:			
Energy Efficiency Program	4.23%	2023	2,351,500
Capital leases	Various	2007-32	<u>17,310,873</u>
Total long-term debt			<u>\$131,942,896</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 6,376,897	\$ 5,639,323
2008	7,236,459	5,863,460
2009	7,427,541	5,632,599
2010	7,661,730	5,267,515
2011	6,947,038	4,895,138
2012-2016	33,269,847	19,396,810
2017-2021	36,357,985	10,770,212
2022-2026	21,720,399	3,471,543
2027-2031	4,020,000	763,883
2032-2036	<u>925,000</u>	<u>41,394</u>
Total	<u>\$131,942,896</u>	<u>\$61,741,877</u>

A. Equipment Trust Fund Program

The Equipment Trust Fund (ETF) program was established to provide state-supported institutions of higher education bond proceeds for financing the acquisition and replacement of instructional and research equipment. The Virginia College Building Authority (VCBA) manages the program. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for equipment purchased. Financing agreements for ETF state that the University now owns the equipment from the date of purchase.

The Statement of Net Assets line “Due from the Commonwealth” includes \$3,389,008 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

During fiscal year 2003, certain 1990B and 1993R General Obligation Bonds were defeased by the University. The net proceeds from the sale of those bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University’s financial statements. At June 30, 2006, \$6,066,753 of the defeased bonds were outstanding.

10. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses are distributed as shown in the following table for the year ending June 30, 2006. Additionally, the University used auxiliary revenues to pay debt service of \$9,636,357. This amount is not included in the auxiliary operating expenses.

Revenues:	
Room contracts (net of \$1,516,450 scholarship allowances)	\$ 7,444,625
Food service contracts (net of \$518,981 scholarship allowances)	2,677,066
Comprehensive fees (net of \$2,778,943 scholarship allowances)	21,722,895
Other student fees and sales and services (net of \$554,188 scholarship allowances)	<u>15,970,674</u>
Total auxiliary enterprises revenues	<u>47,815,260</u>
Expenses:	
Residential facilities	8,034,555
Dining operations	3,395,483
Athletics	12,630,490
Other auxiliary activities	<u>14,550,214</u>
Total auxiliary enterprises expenses	<u>\$38,610,742</u>

11. EXPENSES BY NATURAL CLASSIFICATIONS

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, Wages, and Fringe Benefits	Non-Personal Services/Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	\$ 72,597,448	\$12,120,095	\$ -	\$ 3,864,392	\$ -	\$ 88,581,935
Research	13,188,515	1,303,854	-	254,517	-	14,746,886
Public service	342,685	102,290	-	4,759	-	449,734
Academic support	18,671,793	10,833,632	-	1,895,930	-	31,401,355
Student services	6,712,615	1,526,751	-	116,953	-	8,356,319
Institutional support	15,325,843	2,605,453	-	589,436	-	18,520,732
Operation and maintenance	7,074,577	6,342,516	-	4,485,375	-	17,902,468
Depreciation	-	-	-	-	17,874,181	17,874,181
Student aid	641	10,330	6,874,606	1,122	-	6,886,699
Auxiliary activities	<u>14,331,231</u>	<u>20,544,880</u>	<u>2,715,878</u>	<u>1,018,753</u>	<u>-</u>	<u>38,610,742</u>
Total	<u>\$148,245,348</u>	<u>\$55,389,801</u>	<u>\$9,590,484</u>	<u>\$12,231,237</u>	<u>\$17,874,181</u>	<u>\$243,331,051</u>

12. STATE APPROPRIATIONS

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

The following is a summary of state appropriations received by the University, including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 4:	
Educational and general programs	\$ 85,633,059
Student financial assistance	10,199,222
Supplemental adjustments:	
Central fund appropriation transfers	2,247,675
Eminent scholars	285,474
Library grant	20,462
Military waiver reimbursement	568,786
Additional appropriation for change in June 24, 2006 payroll timing	2,550,456
Virginia Modeling, Analysis and Simulation Center	<u>1,025,000</u>
Adjusted appropriations	<u>\$102,530,134</u>

13. COMPONENT UNIT FINANCIAL INFORMATION

The University's component units are presented in the aggregate on the face of the financial statements. Below is a condensed summary of each foundation and the corresponding footnotes. The University has 3 component units: the Old Dominion University Intercollegiate Foundation, Old Dominion University Educational and Real Estate Foundation, and Old Dominion University Research Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements.

Statement of Net Assets	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 562,344	\$ 10,523,628	\$ 2,434,584	\$ 13,520,556
Accounts receivable	31,176	577,727	11,887,901	12,496,804
Contributions receivable, net	352,087	616,940	-	969,027
Travel advances	-	-	23,417	23,417
Prepaid expenses	-	-	138,559	138,559
Other assets	<u>41,434</u>	<u>151,560</u>	<u>-</u>	<u>192,994</u>
Total current assets	<u>987,041</u>	<u>11,869,855</u>	<u>14,484,461</u>	<u>27,341,357</u>
Noncurrent assets:				
Investments	-	-	3,122,620	3,122,620
Other long-term investments	13,069,434	142,585,908	-	155,655,342
Contributions receivable, net	996,832	2,513,021	-	3,509,853
Unamortized bond issuance expense	-	1,597,465	-	1,597,465
Nondepreciable capital assets	-	18,321,987	54,802	18,376,789
Capital assets	<u>54,613</u>	<u>46,761,599</u>	<u>3,420,570</u>	<u>50,236,782</u>
Total noncurrent assets	<u>14,120,879</u>	<u>211,779,980</u>	<u>6,597,992</u>	<u>232,498,851</u>
Total assets	<u>15,107,920</u>	<u>223,649,835</u>	<u>21,082,453</u>	<u>259,840,208</u>
LIABILITIES				
Current liabilities:				
Accounts payable	433,310	2,276,531	4,119,019	6,828,860
Deferred revenue	-	224,016	2,640,346	2,864,362
Deposits held in custody for others	-	397,834	-	397,834
Agency related payables	-	12,073,927	-	12,073,927
Line of credit	-	2,064,090	-	2,064,090
Long-term liabilities - current portion	<u>-</u>	<u>977,204</u>	<u>-</u>	<u>977,204</u>
Total current liabilities	<u>433,310</u>	<u>18,013,602</u>	<u>6,759,365</u>	<u>25,206,277</u>
Noncurrent liabilities	<u>300,750</u>	<u>70,010,937</u>	<u>-</u>	<u>70,311,687</u>
Total liabilities	<u>734,060</u>	<u>88,024,539</u>	<u>6,759,365</u>	<u>95,517,964</u>
NET ASSETS				
Net assets:				
Invested in capital assets, net of related debt	54,613	(2,363,243)	3,475,372	1,166,742
Permanently restricted	9,731,155	85,641,257	-	95,372,412
Temporarily restricted	3,749,280	44,201,089	9,249,927	57,200,296
Unrestricted	<u>838,812</u>	<u>8,146,193</u>	<u>1,597,789</u>	<u>10,582,794</u>
Total net assets	<u>\$14,373,860</u>	<u>\$135,625,296</u>	<u>\$14,323,088</u>	<u>\$164,322,244</u>

Statement of Revenues, Expenses, and Changes in Net Assets	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	Total
Operating revenues:				
Gifts and contributions	\$ 1,228,624	\$ 3,573,401	\$ 145,750	\$ 4,947,775
Indirect cost	-	-	6,428,849	6,428,849
Sponsored research	-	-	29,103,719	29,103,719
Other operating revenues	<u>277,984</u>	<u>8,029,387</u>	<u>2,095,084</u>	<u>10,402,455</u>
Total operating revenue	<u>1,506,608</u>	<u>11,602,788</u>	<u>37,773,402</u>	<u>50,882,798</u>
Operating expenses:				
Instruction	-	2,317,301	-	2,317,301
Research	-	-	33,665,293	33,665,293
Academic support	73,506	2,833,007	-	2,906,513
Institutional support	959,924	9,005,918	3,943,621	13,909,463
Operation and maintenance of plant	-	273,680	-	273,680
Depreciation	100,998	2,236,780	-	2,337,778
Student aid	<u>232,148</u>	<u>685,637</u>	<u>-</u>	<u>917,785</u>
Total operating expenses	<u>1,366,576</u>	<u>17,352,323</u>	<u>37,608,914</u>	<u>56,327,813</u>
Operating gain/(loss):	<u>140,032</u>	<u>(5,749,535)</u>	<u>164,488</u>	<u>(5,445,015)</u>
Investment income	761,175	9,825,275	215,588	10,802,038
Contributions to permanent endowments	<u>4,665,521</u>	<u>8,855,259</u>	<u>-</u>	<u>13,520,780</u>
Increase in net assets	5,566,728	12,930,999	380,076	18,877,803
Beginning net assets	<u>8,807,132</u>	<u>122,694,297</u>	<u>13,943,012</u>	<u>145,444,441</u>
Ending net assets	<u>\$14,373,860</u>	<u>\$135,625,296</u>	<u>\$14,323,088</u>	<u>\$164,322,244</u>

Contributions Receivable	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Total
Receivable due in less than one year	\$ 475,431	\$ 911,414	\$1,386,845
Less allowance for doubtful accounts	<u>123,344</u>	<u>294,474</u>	<u>417,818</u>
Net current accounts receivable	<u>352,087</u>	<u>616,940</u>	<u>969,027</u>
Receivable due in greater than 1 year, net of discount of \$567,098	1,040,456	2,680,212	3,720,668
Less: allowance for doubtful accounts	<u>43,624</u>	<u>167,191</u>	<u>210,815</u>
Net noncurrent contributions receivable	<u>996,832</u>	<u>2,513,021</u>	<u>3,509,853</u>
Total contributions receivable	<u>\$1,348,919</u>	<u>\$3,129,961</u>	<u>\$4,478,880</u>

Investments

The Foundations record investments at market except for real estate held for investment, which is recorded at the lower of cost or fair market value.

Summary Schedule of Investments

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	Total
U.S. treasury and agency securities	\$ 1,481,865	\$ 16,572,207	\$2,701,798	\$ 20,755,870
Common and preferred stocks	1,723,862	19,252,428	45,188	21,021,478
Municipal securities	2,113,509	1,751,108	-	3,864,617
Mutual and money market funds	5,739,164	64,183,052	375,634	70,297,850
Real estate	-	259,000	-	259,000
Foreign government obligations	5,000	5,000	-	10,000
Alternative investments	2,006,034	28,489,186	-	30,495,220
Managed investments	<u>-</u>	<u>12,073,927</u>	<u>-</u>	<u>12,073,927</u>
Total	<u>\$13,069,434</u>	<u>\$142,585,908</u>	<u>\$3,122,620</u>	<u>\$158,777,962</u>

Capital Assets

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	Total
Nondepreciable capital assets:				
Land	\$ -	\$11,586,553	\$ 54,802	\$11,641,355
Construction-in-progress	<u>-</u>	<u>6,735,434</u>	<u>-</u>	<u>6,735,434</u>
Total capital assets not being depreciated	<u>-</u>	<u>18,321,987</u>	<u>54,802</u>	<u>18,376,789</u>
Depreciable capital assets:				
Buildings	-	48,358,586	1,012,639	49,371,225
Equipment	<u>402,935</u>	<u>3,164,284</u>	<u>13,429,345</u>	<u>16,996,564</u>
Total capital assets being depreciated	<u>402,935</u>	<u>51,522,870</u>	<u>14,441,984</u>	<u>66,367,789</u>
Less accumulated depreciation for:				
Buildings	-	3,998,208	687,934	4,686,142
Equipment	<u>348,322</u>	<u>763,063</u>	<u>10,333,480</u>	<u>11,444,865</u>
Total accumulated depreciation	<u>348,322</u>	<u>4,761,271</u>	<u>11,021,414</u>	<u>16,131,007</u>
Total depreciable capital assets, net	<u>54,613</u>	<u>46,761,599</u>	<u>3,420,570</u>	<u>50,236,782</u>
Total capital assets, net	<u>\$ 54,613</u>	<u>\$65,083,586</u>	<u>\$ 3,475,372</u>	<u>\$68,613,571</u>

Long-Term Liabilities

Old Dominion University Intercollegiate Foundation

Trust and annuity obligations \$300,750

Old Dominion University Educational and Real Estate Foundations

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>December 31, 2005</u>
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2005	Variable %	2033	<u>\$56,560,000</u>
Notes payable:			
Student housing	6.597%	2011	3,399,786
Bond issuance cost	5.60%	2010	<u>5,675,000</u>
Total notes payable			<u>9,074,786</u>
Installment purchases			
Phone installation – Phase I		2007	98,682
Phone installation – Phase II		2008	<u>120,051</u>
Total installment purchases			<u>218,733</u>
Capital lease		2008-2009	175,898
Other long-term liabilities			<u>4,958,724</u>
Total long-term debt			<u>70,988,141</u>
Total component unit long-term liabilities			<u>\$71,288,891</u>

Long-term debt maturities are as follows for bonds payable, notes payable, installment purchases, and capital leases:

2006	\$ 977,204
2007	1,524,739
2008	1,521,397
2009	1,554,669
2010	1,622,558
Thereafter	<u>58,828,850</u>
Total	<u>\$66,029,417</u>

Other Significant Transactions with Old Dominion University

In May 2006, the University entered into a Deed of Lease Agreement with Old Dominion University Real Estate Foundation. The University entered into the agreement in conjunction with the issuance by the Norfolk Redevelopment and Housing Authority of its Variable Rate Demand Revenue Bonds (Old Dominion University Real Estate Foundation 45th Street Parking

Garage, LLC Project), Series 2006. Under the agreement, the University will repay the aggregate principal for the Series 2006 in the amount of \$12,615,000, including bond issuance costs and the Term Loan in the amount of \$1,450,000. At the expiration of the lease term on August 15, 2031, the Old Dominion University Real Estate Foundation shall transfer the project to the University. As such the University has recorded a capital lease in the amount of \$14,065,000.

Direct payments to the University from the Old Dominion University Educational Foundation, Old Dominion University Intercollegiate Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2006 totaled \$6,672,971, and \$449,309, and \$1,911,624 respectively. This includes gift transfer and payments for facilities and services.

Component Unit Subsequent Events

In April 2006, the Intercollegiate Foundation made a disbursement to a member of the athletic staff under a deferred compensation arrangement in which all conditions of the mutual agreement were met in 2006. The amount of the deferred compensation paid was approximately \$403,000.

In its role in the management of the endowments, the Education Foundation enters into agreements with limited partnerships that invest in various alternative investment strategies. These agreements commit the Foundation to invest a specified amount of money over a period of time. After year-end, the Educational Foundation signed agreements to invest an additional \$2,500,000 in various partnerships.

In May 2006, the Norfolk Redevelopment and Housing Authority issued \$12,615,000 Series 2006 Tax-Exempt Revenue Bonds. In addition, the Real Estate Foundation secured a Subordinate Tax Loan in the amount of \$1,450,000 for the purpose of constructing a parking garage facility. The bonds, issued by the Norfolk Redevelopment and Housing Authority on behalf of the Real Estate Foundation are secured by bond insurance. Interest is payable in monthly installments at the fixed rate (under a swap agreement) of 4.475 percent for the bonds and 6.2 percent for the Subordinate Tax Loan. The bonds mature in 2031 and the Subordinate Tax Loan matures in 2010.

14. COMMITMENTS

At June 30, 2006, the University was a party to construction and other contracts totaling approximately \$61,527,595 of which \$39,287,193 has been incurred.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for a two-year term and the space leases are for varying terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, similar leases will replace these leases. Rental expense was approximately \$3,524,533 for the year ended June 30, 2006.

The University has, as of June 30, 2006, the following future minimum rental payments due under the above leases:

<u>Year Ending June 30</u>	<u>Operating Lease Obligations</u>
2007	\$ 2,059,595
2008	1,663,401
2009	1,550,310
2010	1,514,790
2011	1,038,930
2012-2016	5,356,115
2017-2021	4,000,967
2022-2026	<u>51,663</u>
Total	<u>\$17,235,771</u>

15. RETIREMENT PLANS

A. Virginia Retirement System

Employees of the University are employees of the Commonwealth of Virginia and therefore participate in the Commonwealth's defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is a multiple-employer public employee retirement system 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. Information related to the plan is available at the statewide level only and can be found in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth, not the University, has the overall responsibility for contributions to this plan.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled approximately \$5,166,177 for the year ended June 30, 2006. The retirement contribution rate was 8.91 percent for state employees and 21.99 percent for the Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2006. Contributions to VRS were calculated using the base salary amount of approximately \$55,348,455 for the year ended June 30, 2006. The University's total payroll was approximately \$118,662,800 for the fiscal year ended June 30, 2006.

B. Optional Retirement Plan

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. The two providers are TIAA/CREF Insurance Companies and Fidelity Investment Tax-Exempt Services. These are fixed contribution programs where the retirement benefits received are based upon employer contributions of 5.4 percent and employee contribution of five percent, and interest and dividends. Individual contracts issued under the plans provide for full and immediate vesting of both University and employee contributions. Total pension costs under these plans were approximately \$4,373,519 for the year ended June 30, 2006. Contributions to other retirement plans were calculated using the base salary amount of approximately \$42,053,066.

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 \$441,864 for fiscal year 2006.

16. POST-EMPLOYMENT BENEFITS

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

17. CONTINGENCIES

Grants and Contracts

The University has received 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 expenditures 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 the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2006, the University estimates that no material liabilities will result from such audits or questions.

18. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts, such theft, damage, 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 plan is 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 worker's compensation, 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 Commonwealth's *Comprehensive Annual Financial Report*.

SUPPLEMENTARY INFORMATION

OLD DOMINION UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES AND EXPENDITURES
For the Year Ended June 30, 2006

	Residential Facilities	Dining Services	University Stores	Virginia Beach Development	Student Activities
Operating revenues:					
Student fees	\$ -	\$ -	\$ -	\$ 506,214	\$ 2,309,120
Sales and services	8,961,075	3,196,047	56,616	434,071	267,358
Rental and other income	5,142	-	743,873	-	-
Interest Income	389,686	5,865	-	877	-
Proceeds from Securities Lending Program	-	-	-	-	-
Gross operating revenues	9,355,903	3,201,912	800,489	941,162	2,576,478
Cost of sales	-	-	-	-	-
Net operating revenues	9,355,903	3,201,912	800,489	941,162	2,576,478
Operating expenditures:					
Personal services	2,600,296	17,358	-	-	1,120,841
Contractual services	4,669,429	3,371,704	9,547	-	1,086,004
Equipment	254,812	6,421	-	-	83,813
Supplies and materials	510,018	-	8,950	-	170,483
Scholarships	-	-	-	-	-
Total operating expenditures	8,034,555	3,395,483	18,497	-	2,461,141
Excess/(deficiency) of revenues over operating expenditures	1,321,348	(193,571)	781,992	941,162	115,337
Nonoperating revenue:					
Private gifts	-	-	-	-	-
Mandatory transfers:					
Debt service	(1,656,811)	-	-	(902,422)	(6,448)
Nonmandatory transfers (to)/from other funds	(645,778)	(485,382)	(473,312)	(99,255)	61,682
Total transfers	(2,302,589)	(485,382)	(473,312)	(1,001,677)	55,234
Net increase/(decrease) in fund balances	(981,241)	(678,953)	308,680	(60,515)	170,571
Fund balances at beginning of year*	7,866,078	2,058,247	486,941	98,613	148,205
Fund balances/(deficit) at end of year	\$ 6,884,837	\$ 1,379,294	\$ 795,621	\$ 38,098	\$ 318,776

*Beginning Fund Balance was adjusted for a correction of a prior year expense.

Webb Center	Parking	East Side Development	Athletic Programs	Other Auxiliary	General Fee Reserve	Totals
\$ 2,813,021	\$ -	\$ 4,166,723	\$ 11,692,840	\$ 3,013,920	\$ -	\$ 24,501,838
78,773	3,235,936	554,024	2,323,101	6,432,783	1,317,520	26,857,304
-	-	-	484,486	2,600	-	1,236,101
8,848	183,192	51,539	68,092	157,519	-	865,618
-	-	-	-	-	220,007	220,007
2,900,642	3,419,128	4,772,286	14,568,519	9,606,822	1,537,527	53,680,868
-	-	-	5,509	194	-	5,703
2,900,642	3,419,128	4,772,286	14,563,010	9,606,628	1,537,527	53,675,165
1,071,937	690,541	-	5,397,472	3,564,597	-	14,463,042
874,261	1,089,116	1,320,510	4,229,028	2,006,066	252,089	18,907,754
64,758	41,368	-	151,573	212,600	-	815,345
377,747	31,722	2,719	532,571	497,258	-	2,131,468
-	-	-	2,314,338	-	-	2,314,338
2,388,703	1,852,747	1,323,229	12,624,982	6,280,521	252,089	38,631,947
511,939	1,566,381	3,449,057	1,938,028	3,326,107	1,285,438	15,043,218
-	-	-	683,578	121,836	-	805,414
(575,368)	(913,989)	(4,400,578)	(1,175,889)	(4,852)	-	(9,636,357)
(117,625)	(607,377)	(2,238,818)	(202,133)	(2,515,343)	(1,625,969)	(8,949,310)
(692,993)	(1,521,366)	(6,639,396)	(1,378,022)	(2,520,195)	(1,625,969)	(18,585,667)
(181,054)	45,015	(3,190,339)	1,243,584	927,748	(340,531)	(2,737,035)
47,000	4,777,188	2,766,769	6,667,866	7,351,379	2,048,612	34,316,898
\$ (134,054)	\$ 4,822,203	\$ (423,570)	\$ 7,911,450	\$ 8,279,127	\$ 1,708,081	\$ 31,579,863

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

January 24, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

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

Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of **Old Dominion University** (the University), a component unit of the Commonwealth of Virginia, and its aggregate discretely presented component units as of and for the year ended June 30, 2006, 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, which are discussed in Note 1. 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 University and of its aggregate discretely presented component units as of June 30, 2006, 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 one through six 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University. The Schedule of Auxiliary Enterprises Revenues and Expenditures (Schedule) is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

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 in order to determine our auditing procedures for the purpose of expressing our opinions in the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on February 21, 2007.

AUDITOR OF PUBLIC ACCOUNTS

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OLD DOMINION UNIVERSITY

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