RADFORD UNIVERSITY

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 2007

APA

Auditor of Public Accounts

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Radford University for the year ended June 30, 2007, found:

- the financial statements are presented fairly, in accordance with generally accepted accounting principles;
- three internal control matters that we consider to be significant deficiencies; however, we do not consider these to be material weaknesses;
- one instance of noncompliance required to be reported; under Government Auditing Standards; and
- the University has taken adequate corrective action with respect to the audit findings reported in the prior year.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Strengthen Controls for Reporting Capital Assets

We noted the following control deficiencies in our review of capital asset reporting:

- The University did not remove two completed projects (Track and Soccer Field Phase I and Fairfax, Howe, Adams Land Acquisition) totaling $1.75 million from Construction in Progress.
- The University overstated equipment additions by $327,393. The overstatement was comprised of an asset retagging error of $203,615, a prior period restatement of $110,781, and an erroneous addition of $12,997.
- After reviewing a sample of eight equipment disposals, we found five exceptions. Two of the errors were included in the retagging error listed above and three were assets that were no longer under the control of the University in fiscal year 2006 but the University did not delete the items until fiscal year 2007.

As a result of these errors, the University had to revise the Management Discussion and Analysis, Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Cash Flow Statement and three footnotes in the annual financial statements. The University also had to identify changes in the annual financial statement attachments required by Departments of Accounts (DOA).

Management should perform a stringent review of policies and procedures in the capital asset reporting process. Management should identify potential weaknesses and strengthen internal controls to prevent future material misstatements in the annual financial statements.

Perform a Stringent Review of Existing Operations in the Athletic Department

Our review of the University's Athletic Department revealed several areas that require management's attention to ensure there are proper controls in place.

Receipts:

The Department did not deposit receipts timely. We tested revenue sharing, game guarantees and ticket sales and found delays in all three areas. One of three revenue sharing deposits, seven of ten game guarantee deposits, and 25 of 25 ticket sale deposits tested were untimely. In addition, staff did not consistently document the date of receipt. There is also a lack of separation of duties in the handling of receipts and the review process.

For game guarantees, staff did not mark the contracts "paid" or otherwise ensure the receipt of the proper payment. Two contracts were more than three months late, and for one, the opposing college had to bring the issue to the attention of the Department. In another instance, it took more than nine months before the Department took action to collect the amount due for one game guarantee. In addition, there is a lack of separation of duties in the collecting, depositing, and reviewing of game guarantees.

Expenses:

We tested 25 purchase orders and found that one did not have supporting documentation, one was mathematically incorrect and seven had untimely payment.

The Department has a contract with Abbott for team travel. However, the Department paid invoices without obtaining a copy of the bill computation to determine if the amounts paid were reasonable.

Reporting:

The Department omitted $6,205 in scholarship payments from the Radford University Foundation to NCAA athletes from the NCAA Schedule.

The University omitted the Dedmon Center Roof Repair from the 2006 capital asset footnote. As a result, the fiscal year 2007 beginning balances reflect a difference of $235,078 for construction in progress and total capital assets.

Management should perform a stringent review of Athletic Department operations and strengthen internal controls to prevent future occurrences. Management should ensure that Athletic Department personnel understand and adhere to the University's policies and procedures and state regulations.

Properly Complete Employment Eligibility Forms

Radford University personnel are not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security in its Handbook for Employers (M-274).

In our sample of twelve I-9 forms, we only found three I-9 forms correctly completed by Radford University. In the remaining nine, we observed the following error rates:

- The University did not properly complete Section 2 Employer Review and Verification on four forms.
- The University did not properly complete Section 3 Updating and Re-verification on four forms.
- The employer did not sign five forms before or within three business days of the employment start date.
- The employees did not sign four forms before or on the employment start date.
- The University did not maintain copies of documents used for verification on three forms.
- One employee did not initial/date the correction.

We recommend that management develop a training program for all applicable employees on the requirements of completing the I-9 form. Management should also implement a process for monitoring accuracy in the I-9 process. The federal government has stepped up its enforcement efforts related to hiring illegal immigrants, which makes having a good I-9 process in place more important than ever before. Weaknesses in the I-9 process could result in fines and penalties against the institution.

MANAGEMENT'S DISCUSSION AND ANALYSIS
("unaudited")

Introduction

The following unaudited Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of Radford University in an objective, easily readable format for the year ending June 30, 2007. Since this analysis includes highly summarized data, it should be read in conjunction with the accompanying financial statements and footnotes. The University's management is responsible for all the financial information presented, including the discussion and analysis.

The three required financial statements are the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. These statements are summarized and analyzed in the following paragraphs. The Radford University Foundation, Inc. is included in the accompanying financial statements in a separate column as a component unit. However, the following discussion and analysis does not include the Foundation's financial condition and activities.

University Overview

Radford University is a coeducational, comprehensive public university that is student centered and focused on providing outstanding academic programs with 153 program options for its 9,220 (Fall 2006 headcount) undergraduate and graduate students. Well known for its strong faculty/student bonds, innovative use of technology in the learning environment, and vibrant student life on a beautiful campus, the University offers many opportunities to get involved and succeed in and out of the classroom. The University atmosphere is residential with most students living in residence halls or in private accommodations within walking distance of the campus. In its 2006 *Guide to America's Best Colleges, U.S. News and World Report* listed Radford University as one of the top 25 public master's universities in the south for the second consecutive year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the readers of the financial statements.

The data presented in the Statement of Net Assets aids readers in determining the assets available to continue the operations of the University. It also allows readers to determine how much the University owes. Finally, the Statement of Net Assets provides a picture of net assets available for expenditure by the University. Sustained increases in net assets over time are one indicator of the financial stability of an organization.

Net assets are classified into three major categories: invested in capital assets, restricted net assets - expendable, and unrestricted net assets.

Invested in capital assets – Invested in capital assets, net of related debt, represents the University's total investment in capital assets net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable – Restricted expendable assets include resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.

Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, indirect costs, and sales and services of auxiliary enterprises and educational departments. These resources are used for transactions related to academic departments and general operations and may be used at the discretion of the University to meet current expenses for any lawful purpose in support of its primary mission of instruction. These resources also include auxiliary enterprises that provide services for students, faculty, and staff. Examples of the University's auxiliary enterprises include residence halls, dining services, and intercollegiate athletics.

The schedule below shows trends in assets, liabilities, and net assets over the past two fiscal years.

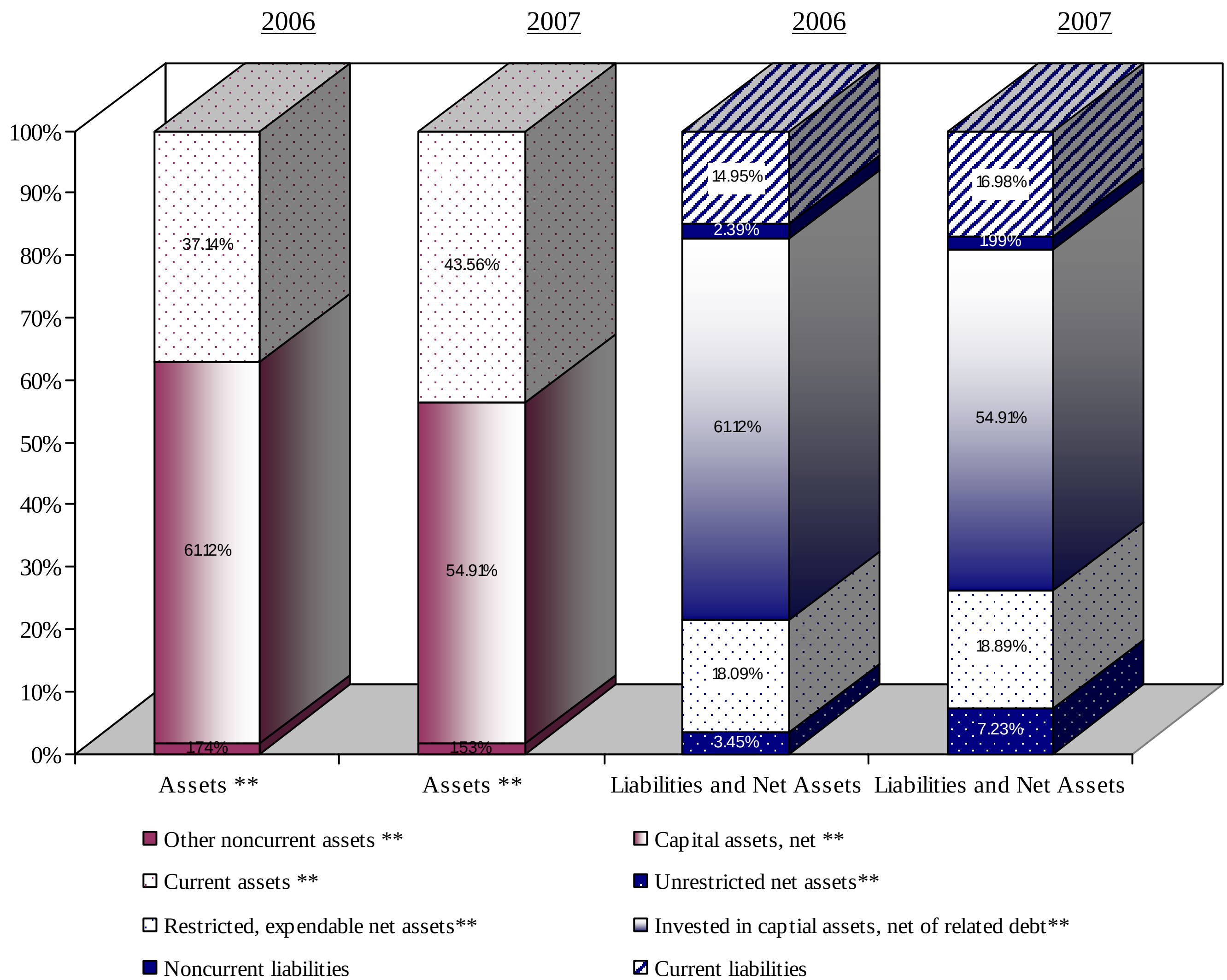
Statement of Net Assets - Summary Schedule
($ shown in thousands)

	2007	2006 (restated)	Increase/(Decrease) Amount	Percent
Assets:				
Current assets	$ 93,284	$ 67,070	$ 26,214	39.1
Capital assets, net	117,595	110,392	7,203	6.5
Other noncurrent assets	3,284	3,142	142	4.5
Total assets	214,163	180,604	33,559	18.6
Liabilities:				
Current liabilities	36,367	26,989	9,378	34.8
Non-current liabilities	4,257	4,308	(51)	(1.2)
Total liabilities	40,624	31,297	9,327	29.8
Net Assets:				
Invested in capital assets, net of related debt	117,595	110,392	7,203	6.5
Restricted – expendable	40,453	32,679	7,774	23.8
Unrestricted	15,491	6,236	9,255	148.4
Total net assets	$173,539	$149,307	$ 24,232	16.2

The total net assets of the University increased by $24,232,173 (16.2 percent) during fiscal year 2007 bringing total net assets to $173,539,452 at year-end. This growth was primarily due to increased receipt of cash appropriated for current and future capital projects, which include the construction of the Fine Arts Center and building renovations of several academic buildings (i.e., Russell, Davis, Porterfield, Powell, Young, and Whitt Halls).

The chart below illustrates the categories that comprise the University's assets, liabilities and net assets for the past two fiscal years.

Statement of Net Assets - Comparative Chart



Capital Asset and Debt Administration

One of the primary objectives of the University is the development and renewal of capital assets. The University continues to implement long-range plans to modernize older facilities, balanced with new construction. Investments in renovation and new construction serve to facilitate the University's high-quality instructional programs, residential lifestyles, and student quality of life.

Note 4 of the Notes to Financial Statements describe the University's investment in capital assets with total additions of $27,732,200 (excluding depreciation) during fiscal year 2007. The renovation of Peters Hall contributed to the additions to buildings while the construction of the Fine Arts Center and the Russell Hall renovation were the primary components of the additions to construction in progress. Current year depreciation expense totaled $7,608,166. Overall, the value of the University's capital assets totaled $117,595,105 at the end of fiscal year 2007, a $7,202,860 (6.5 percent) increase over fiscal year 2006.

Commitments to construction contractors, architects, and engineers for capital projects totaled $13,080,878 at June 30, 2007. Capital construction costs for the Fine Arts Center constituted most of this total.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's operating and nonoperating activities, which creates the changes in total net assets. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Generally, operating revenues are received for providing goods and services to students and various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Salaries and fringe benefits for faculty and staff are the largest category of operating expense.

Nonoperating revenues are revenues received for goods and services that are not directly provided. State appropriations are included in this category and provide substantial support for paying the operating expenses of the University. Therefore, the University, like most public institutions, will show an operating loss.

Statement of Revenues, Expenses, and Changes in Net Assets - Summary Schedule
($ shown in thousands)

	2007	2006	Increase/(Decrease) Amount	Percent
Operating revenues	$ 86,034	$ 83,950	$ 2,084	2.5
Less: Operating expenses	136,551	125,872	10,679	8.5
Operating loss	(50,517)	(41,922)	8,595	20.5
Nonoperating revenues and expenses	55,792	48,353	7,439	15.4
Income before other revenues, expenses, gains, or losses	5,275	6,431	(1,156)	(17.9)
Other revenue, expenses, gains, or losses	18,957	4,068	14,889	366.0
Increase in net assets	24,232	10,499	13,733	130.8
Net assets - beginning of year, restated	149,307	138,808	10,499	7.6
Net assets - end of year	$173,539	$149,307	$24,232	16.2

Operating Revenues

Operating revenues primarily include tuition, fees, and auxiliary enterprises. Overall, the University's operating revenues increased to $86,033,805 in fiscal year 2007, compared to $83,950,592 in fiscal year 2006, an increase of $2,083,213 (2.5 percent). This overall increase included an increase of $289,264 (0.9 percent) in student tuition and fees, net of scholarship allowances, and an increase of $1,514,998 (3.9 percent) in auxiliary enterprises revenue, which is funded primarily from student fees. The operating revenue increase in 2007 would have been slightly higher if the University had not used almost $1 million in deferred tuition and fee revenue to cover the nongeneral fund portion of an additional salary payroll in fiscal year 2006. This salary payroll would normally have been paid in fiscal year 2007. Instead, it was paid in fiscal year 2006 because the Appropriations Act for 2007-08 was not approved until very late in the fiscal year. Most of the growth in operating revenues can be attributed to rate increases in tuition, fees, room, and board for in-state and out-of-state students.

Non-operating Revenues

Non-operating revenues increased by $7,439,741 (15.4 percent) from the previous year's total. This increase represents new state general fund appropriations for educational and general programs and student financial assistance plus appropriation transfers from the state central accounts for increases in salaries, health insurance premiums, and fringe benefits. Note 10 of the Notes to Financial Statements outlines the state appropriations received by the University during fiscal year 2007.

Other Revenues

Other revenues increased by $14,889,239 (336.0 percent) over the prior fiscal year. This increase is attributed to new general fund capital appropriations received for the renovation of Russell Hall, construction of the Fine Arts Center, as well as appropriations for future renovations of several academic buildings.

Total Revenues

Total revenues increased by $24,412,193 (17.9 percent) over the prior fiscal year due primarily to the increases in nonoperating and other revenues as explained above. Total revenues increased at a rate greater than total expenses primarily due to having received new general fund appropriations for current and future capital projects for which expenditures had not been incurred at June 30, 2007. As a result, the University experienced a substantial increase to net assets, which strengthened its financial position.

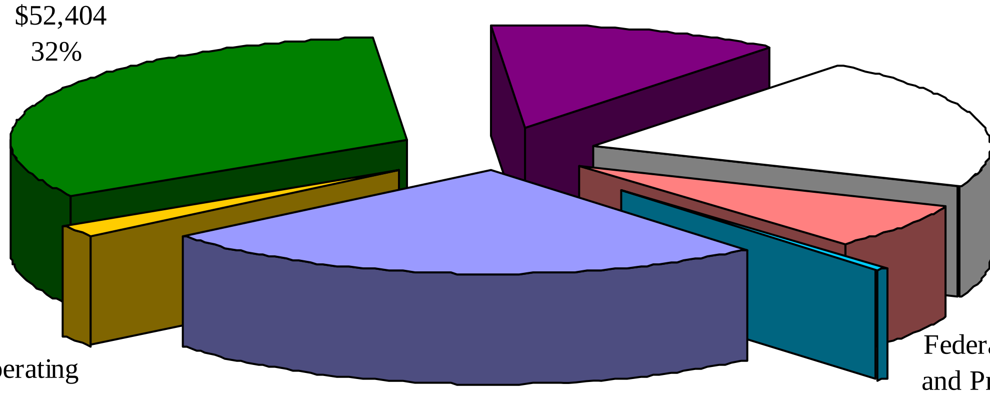
The schedule below shows revenue trends over the past two fiscal years.

Revenues – Summary Schedule
($ shown in thousands)

	2007	2006 (Restated)	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating revenues:				
Student tuition and fees, net of scholarship allowance	$ 33,645	$ 33,355	$ 290	.9
Federal, state, and nongovernmental grants and contracts	10,859	10,700	159	1.5
Auxiliary enterprises, net of scholarship allowance	40,431	38,916	1,515	3.9
Other operating revenue	1,099	979	120	12.3
Total operating revenues	86,034	83,950	2,084	2.5
Non-operating revenues:				
State appropriations	52,404	47,027	5,377	11.4
Investment income, interest on capital assets-related debt, loss on disposal of plant assets, and other non-operating revenues	3,388	1,326	2,062	155.5
Total non-operating revenues	55,792	48,353	7,439	15.4
Capital revenues and gains:				
Capital appropriations	18,272	2,455	15,817	644.3
Capital gifts	685	1,613	(928)	(57.5)
Total capital revenues and gains	18,957	4,068	14,889	366.0
Total revenues	$160,783	$136,371	$ 24,412	17.9

The following chart illustrates revenues by source (both operating and nonoperating) used to fund the University's activities for the year ended June 30, 2007. Critical recurring sources of the University's revenues are considered nonoperating as defined by GASB Statement 35. These sources are presented as state appropriations and capital appropriations and gifts on the chart below.

Revenues by Source
($ shown in thousands)



Total Operating Expenses

Operating expenses for fiscal year 2007 totaled $136,551,270 up 8.5 percent over fiscal year 2006. There were several factors impacting expenditures across all programs:

- Increased general fund appropriations from the state to more adequately fund basic operating costs.
- An average salary increase of 3.29 percent for all faculty (teaching and administrative) and 4.0 percent for all classified staff during fiscal year 2007.
- Establishment of new positions and filling vacant positions.
- Increased plant operation costs due to increased utility rates and increased gasoline costs.
- Renovations of facilities, purchase of equipment, and hiring of new staff for the clinical simulation centers.
- Ongoing purchases of equipment for enhancing technology resources and purchase of a new University administrative computer system.

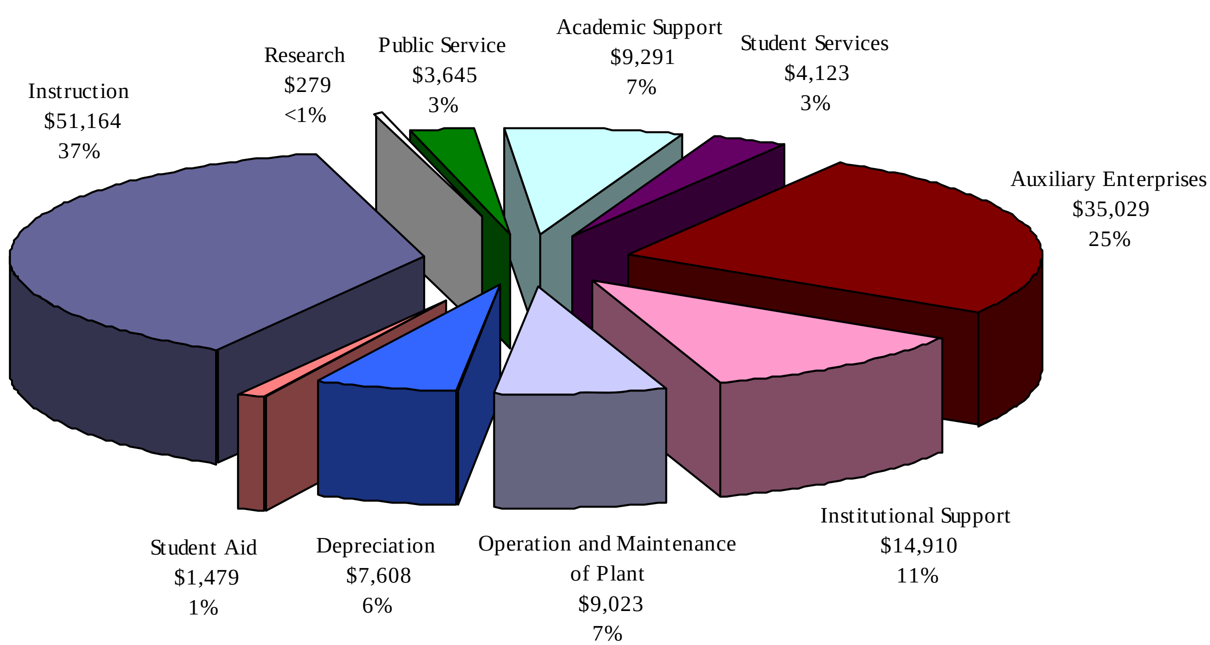
The schedule below shows expenditure trends over the past two fiscal years.

Operating Expenses – Summary Schedule
($ shown in thousands)

	2007	2006	Increase/(Decrease) Amount	Percent
Operating expenses:				
Instruction	$ 51,164	$ 47,269	$ 3,895	8.2
Research	279	671	(392)	(58.4)
Public service	3,645	3,038	607	20.0
Academic support	9,291	8,516	775	9.1
Student services	4,123	3,945	178	4.5
Institutional support	14,910	12,726	2,184	17.2
Operation and maintenance of plant	9,023	8,045	978	12.2
Depreciation	7,608	6,547	1,061	16.2
Student aid	1,479	1,239	240	19.4
Auxiliary enterprises	35,029	33,876	1,153	3.4
Total operating expenses	$136,551	$125,872	$10,679	8.5

The following graphic illustration presents total expenses for fiscal year 2007 by function.

Expenses by Function
($ shown in thousands)



Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets. This difference occurs because the Statement of Revenues, Expenses, and Changes in Net Assets is prepared on the accrual basis of accounting and includes non-cash items, such as depreciation expense, while the Statement of Cash Flows presents cash inflows and outflows without regard to accrual items. The Statement of Cash Flows should help readers assess the ability of an institution to generate cash flows necessary to meet obligations and evaluate its potential for additional financing.

The Statement of Cash Flows is divided into five sections: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, cash flows from investing activities, and a reconciliation of the net operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets to net cash used by operating activities.

Statement of Cash Flows
($ shown in thousands)

Net cash used by operating activities	$(39,502)
Net cash provided by noncapital financing activities	52,243
Net cash provided by capital and related financing activities	3,806
Net cash provided by investing activities	583
Net increase in cash	17,130
Cash and cash equivalents - beginning of year (restated)	56,023
Cash and cash equivalents - end of year	$73,153

The first section, Cash Flows from Operating Activities, deals with operating cash flows and shows net cash used by operating activities of the University. The Cash Flows from Noncapital Financing Activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires general appropriations from the Commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities. Cash Flows from Capital and Related Financing Activities present cash used for the acquisition and construction of capital and related items. Included in cash flows from capital financing activities are plant fund activities (except for depreciation). Cash Flows from Investing Activities reflect the cash flows generated from investments to include purchases, proceeds, and interest. The last section reconciles the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal year to net cash used by operating activities.

Overall, the University had a net increase in cash of $17,129,877 during fiscal year 2007. A significant part of the net increase in cash is attributable to an increased receipt of cash for current and future capital projects for which expenditures have not been incurred. Nevertheless, the increase demonstrates that the University is prudently managing its resources while maintaining resources to support future growth and development of the University’s infrastructure.

Major sources of cash for the University included state appropriations ($52,404,122), student tuition and fees ($34,502,081), auxiliary enterprise revenues ($40,399,516), grants and contracts ($10,420,228), and capital appropriations and gifts ($18,957,112). Major uses of cash were employee compensation and benefits ($78,728,943), operating expenses ($31,972,879), scholarship and fellowship payments ($3,964,430), and the purchase of capital assets ($15,150,307) and noncapitalized plant improvements and equipment ($10,903,099).

Economic Outlook

The 2006-08 biennial budget approved by Governor Kaine and the General Assembly included over $17 million in new operating general funds for the University and approved $19 million in capital projects. The biennial budget included more than $9 million dollars to more adequately fund basic operating costs and $1 million dollars for student financial aid from the general fund. As this increase in funding is the single largest increase in years, clearly, the Governor and the General Assembly have recognized the need to provide substantially greater funding to address base budget adequacy for the University. The $19 million earmarked for construction will provide much needed funds to renovate academic and auxiliary buildings.

While the 2006-08 budget was great news for the University, this news is somewhat tempered by the Governor's recent announcement of a projected $641 million revenue shortfall in the state's two-year budget. As a result, the Governor has initiated plans to address the revenue shortfall with spending cuts and cost savings. The University will lose $2.4 million from the fiscal year 2008 general fund appropriation through these statewide budget cuts. In spring 2007, the University was required to develop plans for a possible reduction in general fund appropriations for fiscal year 2008. As the University was aware of the potential budgetary impact, steps were taken in developing the University's 2007-08 budget to minimize the impact the potential cuts would have on the base budget. Accordingly, the budget cuts for 2007-08 should have minimal impact on normal operations, especially since the University will still receive a substantial increase in general fund appropriations over the prior year. The University will work closely with various state agencies in addressing and planning for any budget cuts beyond 2007-08.

The University's Board of Visitors recently approved *RU 7-17, Radford University Strategic Plan*, a ten-year blueprint to position the University as one of the nation's leading public comprehensive institutions. The plan builds upon the strengths and traditions of Radford University, but also focuses on changes and innovations that will "enhance learning experiences for students, improve faculty teaching and scholarship, improve the academic reputation of the University, and provide educational opportunities for the future citizens of the Commonwealth and beyond." An implementation schedule and a more detailed operational plan will be developed. Additionally, the strategic plan was the basis for revisions to the six-year plan that were submitted to the Commonwealth on October 1, 2007.

Based on Fall 2006 enrollment figures, approximately 92 percent of the University's 9,220 students are Virginians. Overall, application and enrollment numbers indicate a demand for the academic offerings of the University. The University has implemented a multi-year recruitment plan to ensure future enrollment targets are met. Additionally, a new position, Vice Provost for Enrollment Planning and Management, will be added to the Office of the Provost to help the university reach its enrollment goals. These goals include increasing graduate enrollment and sustaining undergraduate enrollment while enhancing the academic profile of incoming students. The University will also continue to evaluate adding new graduate programs.

Overall, the University has generated a net increase in assets for fiscal year 2007, demonstrating sound and prudent use of its financial resources. The base budget adequacy dollars included in the 2006-2008 biennial budget will enable the University to implement components of the strategic plan, address issues related to student/teacher ratios, assessment, compliance, and accountability, as well as bring state funding to a more appropriate level for an institution of this size. Management will continue to maintain a close watch over resources to ensure the ability to react to unknown internal and external issues as well as to implement planned initiatives. The University continues to investigate the benefits of moving toward higher levels of autonomy under the Higher Education Restructuring Act. Radford University continues to remain optimistic that future support from the Governor, General Assembly, and Board of Visitors will enable the University to remain successful and to fulfill its strategic initiatives.

FINANCIAL STATEMENTS

RADFORD UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2007

ASSETS	Radford University	Component Unit Radford University Foundation, Inc.
Current assets		
Cash and cash equivalents (Note 2)	$ 73,152,642	$ 652,544
Short-term investments (Notes 2, 16B)	10,815,392	38,464,663
Accounts receivable (Net of allowance for doubtful accounts of $262,380) (Note 3)	3,498,466	-
Contributions receivable (Net of allowance for doubtful contributions and discount of $47,349) (Note 16A)	-	288,027
Due from the Commonwealth (Note 7)	3,359,820	-
Inventory	357,824	82,894
Notes receivable (Net of allowance for doubtful accounts of $ 3,440)	19,660	4,724
Prepaid expenses	2,080,694	37,816
Other assets	-	119,967
Other receivables	-	493,694
Total current assets	93,284,498	40,144,329
Noncurrent assets		
Restricted cash and cash equivalents	-	2,323,081
Other long-term investments (Note 16B)	-	2,535,048
Contributions receivable (Net of allowance for doubtful contributions and discount of $117,116) (Note 16A)	-	712,231
Other assets	-	106,334
Notes receivable (Net of allowance for doubtful accounts of $394,098)	3,284,149	39,937
Depreciable capital assets, net (Notes 4, 16C)	85,668,500	12,243,938
Non-depreciable capital assets (Notes 4, 16C)	31,926,605	4,443,954
Total noncurrent assets	120,879,254	22,404,523
Total assets	214,163,752	62,548,852
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 5)	16,887,905	581,081
Deferred revenue	3,282,631	10,872
Obligations under securities lending	13,560,715	-
Deposits held in custody for others	272,048	-
Long-term liabilities - current portion (Note 6)	2,326,019	-
Notes payable - current portion (Note 16D)	-	156,718
Advance from the Treasurer of Virginia	20,000	-
Due to Federal Government	17,858	-
Trust and annuity obligations	-	247,464
Total current liabilities	36,367,176	996,135
Noncurrent liabilities:		
Long-term liabilities (Note 6)	4,257,124	-
Notes payable (Note 16D)	-	1,021,392
Trust and annuity obligations	-	1,067,961
Total noncurrent liabilites	4,257,124	2,089,353
Total liabilities	40,624,300	3,085,488
NET ASSETS		
Invested in capital assets, net of related debt	117,595,105	15,509,782
Restricted for:		
Expendable:		
Scholarships and fellowships	-	12,818,043
Instruction and research	1,466,648	1,772,887
Capital projects	38,656,354	-
Loans	329,923	-
Other	-	7,763,751
Nonexpendable:		
Scholarships and fellowships	-	15,319,826
Instruction and research	-	1,488,099
Other	-	3,120,982
Unrestricted	15,491,422	1,669,994
Total net assets	$ 173,539,452	$ 59,463,364

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

RADFORD UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2007

	Radford University	Component Unit Radford University Foundation, Inc.
Operating revenues		
Student tuition and fees (net of scholarship allowances of $5,412,780)	$ 33,644,645	$ -
Gifts and contributions	-	2,584,270
Federal grants and contracts	9,891,089	-
State grants and contracts	588,197	-
Nongovernmental grants and contracts	379,922	-
Auxiliary enterprises (net of scholarship allowances of $5,183,892) (Note 8)	40,431,316	-
Other operating revenues	1,098,636	1,228,757
Total operating revenues	86,033,805	3,813,027
Operating expenses (Note 9)		
Instruction	51,164,121	55,918
Research	278,929	-
Public Service	3,644,818	-
Academic support	9,290,411	1,934,815
Student services	4,123,340	-
Institutional support	14,910,277	1,874,827
Operation and maintenance of plant	9,022,887	-
Depreciation	7,608,166	400,942
Student aid	1,478,858	773,447
Auxiliary activities (Note 8)	35,029,463	-
Total operating expenses	136,551,270	5,039,949
Operating loss	(50,517,465)	(1,226,922)
Nonoperating revenues (expenses):		
State appropriations (Note 10)	52,404,122	-
Investment income	3,747,629	15,627,187
Interest on capital asset - related debt	-	(69,144)
Gain/(Loss) on disposal of plant assets	(172,800)	-
Nonoperating transfers to the Commonwealth	(186,425)	-
Net nonoperating revenues	55,792,526	15,558,043
Income before other revenues, expenses, gains or losses	5,275,061	14,331,121
Capital appropriations	18,271,735	-
Capital gifts	685,377	-
Additions to permanent endowments	-	792,537
Net other revenues	18,957,112	792,537
Increase in net assets	24,232,173	15,123,658
Net assets - beginning of year, as restated (Note 1)	149,307,279	44,339,706
Net assets - end of year	$ 173,539,452	$ 59,463,364

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

RADFORD UNIVERSITY
STATEMENT OF CASH FLOW
For the year ended June 30, 2007

Cash flows from operating utilities:	
Student tuition and fees	$ 34,502,081
Grants and contracts	10,420,228
Auxiliary enterprises	40,399,516
Other receipts	1,098,636
Payments for salaries, wages and fringe benefits	(78,728,943)
Payments for services and supplies	(30,179,265)
Payments for utilities	(1,793,614)
Payments for scholarships and fellowships	(3,964,430)
Payments for noncapitalized plant improvements and equipment	(10,903,099)
Loans issued to students	(993,383)
Collections of loans from students	848,967
Other receipts payments)	(209,154)
Net cash used by operating activities	(39,502,460)
Cash flows from noncapital financing activities:	
State appropriations	52,404,122
Non-General Fund appropriations	(186,425)
Federal Family Education Loans - receipts	23,797,768
Federal Family Education Loans - disbursements	(23,778,592)
Student organization agency transaction	6,191
Net cash provided by noncapital financing activities	52,243,064
Cash flows from capital financing activities:	
Capital appropriations	18,271,735
Capital gifts	685,377
Purchase of capital assets	(15,150,307)
Net cash provided by capital financing activities	3,806,805
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	(3,165,161)
Interest on investments	3,747,629
Net cash provided by investing activities	582,468
Net increase in cash	17,129,877
Cash and cash equivalents - beginning of the year - as restated	56,022,765
Cash and cash equivalents - end of the year	$ 73,152,642
Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	$ (50,517,465)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	7,608,166
Changes in assets and liabilities:	
Receivables, net	(754,498)
Due from the Commonwealth	(3,075,968)
Prepaid expenses	(265,879)
Inventory	(19,854)
Notes receivable, net	(144,416)
Accounts payable and accrued expenses	6,765,637
Deferred revenue	932,000
Due to Federal Government	17,858
Accrued compensated absences	(48,041)
Net cash used by operating activities	$ (39,502,460)

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

NOTES TO FINANCIAL STATEMENTS

RADFORD UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Radford University (the "University) is a 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 of Virginia 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 general purpose financial statements of the Commonwealth.

Under Governmental Accounting Standards Board (GASB) Statement 39 standards, the Radford University Foundation, Inc. (the Foundation) meets criteria qualifying it as a component unit of the University. The Foundation is a legally separate, tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fund-raising and funds management efforts that benefit the University and its programs. The 26 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2007, the Foundation made distributions of $1,259,000 to or on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Radford University Foundation Administrative Office, PO Box 6915, Radford, Virginia 24142.

Basis of Presentation

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 Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities.*

The Foundation is a non-profit organization that reports under FASB standards, including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Basis of Accounting

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

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. 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.

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. 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. Library materials are valued using actual costs for library acquisitions. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. 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	40 years
Building improvements	15 years
Other improvements and infrastructure	20 years
Equipment	2-25 years
Library materials	10 years

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.

Non-current Cash and Investments

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

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, 2007.

Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees is recorded as a liability on the balance sheet. The amount reflects, as of June 30, 2007, all unused vacation leave, sabbatical leave and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay-out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Federal Financial Assistance Programs

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

Net Assets

GASB Statement 34 requires that the statement of net assets report the difference between assets and liabilities as net assets. Net assets are classified as invested in capital assets, net of related debt; restricted; and unrestricted. "Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net assets are reported as "restricted" when constraints on the net asset use are either externally imposed by creditors, grantors, or contributors; or imposed by law. Unrestricted net assets consist of net assets that do not meet the definitions above.

Net assets reported as of the beginning of the year were restated as follows:

Net assets reported at June 30, 2006	$151,508,164
Change in reporting method for programs reimbursed by the Commonwealth	(2,208,306)
Correction of prior years' capital assets	7,421
Net assets – beginning of year, as restated	$149,307,279

Revenue Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, net of scholarship allowances, and (3) 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 income.

Scholarship Discounts and Allowances

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, investments, and risk disclosures as of June 30, 2007, in accordance with GASB Statement 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 a 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 possession of an outside party. The University had no category 3 deposits or investments for fiscal year 2007.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This Statement requires the disclosure of the credit quality ratings of all investments subject to credit risk. Information with respect to University deposit exposure to credit risk is discussed below.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. This Statement requires disclosure of investments with any one issuer that represents five percent or more of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. This Statement requires disclosure of the terms of the investments with fair values that are highly sensitive to changes in interest rates. The University does not have an interest rate risk policy and no investments or deposits that are sensitive to changes in interest rates as of the close of business on June 30, 2007.

Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University has no foreign investments or deposits for 2007.

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. In accordance with the GASB Statement 9 *Definition of Cash and Cash Equivalents*, cash represents cash with the Treasurer, cash on hand, and temporary investments with original maturities of three months or less. The financial institution that holds the University's local cash deposits is authorized to sweep idle cash from specified checking accounts into an overnight money market fund. This money market fund, which represents 100 percent of locally-held cash equivalents, is described in more detail below.

The University has authorized its financial institution to move idle cash balances in specific checking accounts into the STI Classic Institutional U.S. Government Securities Money Market Fund for overnight investment. This fund invests solely in U.S. Treasury obligations issued or guaranteed as to principal and interest by agencies of the U.S. Government. It carries an AAAm rating from Standard & Poor's and an Aaa rating from Moody's. At the close of business on June 30, 2007, the fair value of University's investment in this fund was $4,611,914.

Investments

The Board of Visitors established the University's investment policy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., Code of Virginia. Investments fall into two groups: short 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.

	Market Value
Cash and cash equivalents**:**	
Cash on hand and deposited with financial institutions (including money market deposits)	$ 4,611,914
Appropriation available for capital projects	10,848,689
Cash with the Treasurer	54,946,716
Collateral held for securities lending	2,745,323
Total:	$73,152,642
Short-term investments:	
Collateral held for securities lending	$10,815,392

Securities Lending Transactions

GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*, establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer their securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2007:

Student tuition and fees	$ 1,254,811
Auxiliary enterprises	760,506
Federal, state, and nongovernmental grants and contracts	1,204,283
Other activities	541,246
	3,760,846
Less allowance for doubtful accounts	262,380
Net accounts receivable	$ 3,498,466

4. CAPITAL ASSETS

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

	Beginning Balance, As Adjusted	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	$ 5,860,937	$ -	$ -	$ 5,860,937
Construction-in-progress	27,607,993	11,206,049	12,748,374	26,065,668
Total non-depreciable capital assets	33,468,930	11,206,049	12,748,374	31,926,605
Depreciable capital assets:				
Buildings	111,826,308	12,463,653	30,000	124,259,961
Infrastructure	22,066,159	121,042	-	22,187,201
Equipment	20,028,870	2,216,602	1,020,499	21,224,973
Other Improvements	7,730,336	-	-	7,730,336
Library Materials	15,991,841	1,724,854	325,596	17,391,099
Total depreciable capital assets	177,643,514	16,526,151	1,376,095	192,793,570
Less accumulated depreciation for:				
Buildings	57,757,481	4,128,375	12,750	61,873,106
Infrastructure	16,731,241	568,061	-	17,299,302
Equipment	11,863,638	1,627,533	864,949	12,626,222
Other improvements	3,634,989	366,223	-	4,001,212
Library materials	10,732,850	917,974	325,596	11,325,228
Total accumulated depreciation	100,720,199	7,608,166	1,203,295	107,125,070
Depreciable capital assets, net	76,923,315	8,917,985	172,800	85,668,500
Total capital assets, net	$110,392,245	$20,124,034	$12,921,174	$117,595,105

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2007:

	2007
Employee salaries, wages and fringe benefits payable	$8,778,341
Vendors and suppliers accounts payable	7,561,132
Capital projects accounts payable	548,432
Net accounts payable and accrued expenses	$16,887,905

6. NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ending June 30, 2007 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$3,206,139	$3,820,260	$3,868,301	$3,158,098	$2,326,019
Federal loan program contributions	3,425,045	-	-	3,425,045	-
Total long-term liabilities	$6,631,184	$3,820,260	$3,868,301	$6,583,143	$2,326,019

7. LONG-TERM DEBT

The University has paid all outstanding general obligation bonds issued by the Commonwealth of Virginia on behalf of the University as of June 30, 2007.

Prior Year Defeasance of Debt

In prior years, the University and the Commonwealth of Virginia on behalf of the University issued bonds which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The bonds representing that debt are therefore considered defeased in substance. Accordingly, the trust account's assets and the liabilities for the defeased bonds are not included in the University's financial statements.

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. For fiscal years prior to 1999, the VCBA purchased the equipment and leased it to the University. For fiscal years 1999 and following, financing agreements for ETF were changed so that the University now owns the equipment from the date of purchase.

At June 30, 2007, equipment purchased by the University that was not reimbursed by the VCBA totaling $58,581 was included in the Statement of Net Assets line "Due from the Commonwealth of Virginia."

8. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following at June 30, 2007.

Revenues	2007
Room contracts, net of scholarship allowances of $1,432,670	$ 8,499,218
Dining service contracts, net of scholarship allowances of $1,174,411	7,275,437
Comprehensive fee, net of scholarship allowances of $2,577,110	15,750,818
Other student fees and sales and services	8,905,843
Auxiliary enterprises revenues	$40,431,316

Expenses	2007
Residential facilities	$ 6,894,750
Dining operations	11,688,576
Athletics	4,771,974
Other auxiliary activities	11,674,163
Auxiliary activities expenses	$35,029,463

9. EXPENSES BY NATURAL CLASSIFICATIONS

	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	$44,387,265	$2,778,886	$1,275,700	$ -	$2,722,270	$ -	51,164,121
Research	196,308	75,368	-	-	7,253	-	278,929
Public service	1,697,512	1,808,853	9,674	-	128,779	-	3,644,818
Academic support	6,987,046	1,108,310	5,236	221	1,189,598	-	9,290,411
Student Services	2,885,881	1,114,500	34,473	-	88,486	-	4,123,340
Institutional support	11,697,546	1,335,847	1,750	-	1,875,134	-	14,910,277
Operation and maintenance of plant	4,369,910	3,292,020	-	581,882	779,075	-	9,022,887
Depreciation expense	-	-	-	-	-	7,608,166	7,608,166
Scholarship and related expenses	-	-	1,478,858	-	-	-	1,478,858
Auxiliary activities	9,908,860	21,695,959	1,158,739	1,211,511	1,054,394	-	35,029,463
Total	$82,130,328	$33,209,743	$3,964,430	$1,793,614	$7,844,989	$7,608,166	$136,551,270

10. 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 847:	
Educational and general programs	$47,540,290
Student financial assistance	5,567,626
Supplemental adjustments:	
Virtual Library of Virginia (VIVA) allocation	14,989
Eminent scholar	44,565
Reappropriate prior year unspent public service revenue	57,288
Central Appropriation Transfers:	
Life and disability insurance rate increase	113,266
Payroll paid June 30, 2006	(1,518,558)
Salary increases and regrades	297,120
Health insurance premium increase	466,767
Mileage reimbursement rate increase	12,736
Retirement rate increase	246,094
Retiree health increase	7,388
New College Institute	128,171
Reversion to the General Fund of the Commonwealth	(573,620)
Adjusted appropriation	$ 52,404,122

11. COMMITMENTS

At June 30, 2007, the University was a party to construction and other contracts totaling approximately $34,763,206 of which $21,682,328 has been incurred.

The University is committed under various operating leases for land, buildings, and equipment. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the financial statements. Rental expense was approximately $1,000,439 for the year ended June 30, 2007.

The University has, as of June 30, 2007, the following future minimum rental payments due under the above leases:

Year Ending June 30	Operating Lease Obligation
2008	$ 566,512
2009	328,600
Total	$ 895,112

12. RETIREMENT PLANS

Virginia Retirement System

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

The VRS does not measure assets and pension benefit obligations separately for individual Commonwealth institutions. Therefore, all information relating to this plan is available at the statewide level only and can be found in the Commonwealth's *Comprehensive Annual Financial Report* (CAFR). The Commonwealth of Virginia, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2007. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled $3,483,655 for the year ended June 30, 2007. These contributions included the five percent employee contribution assumed by the employer. Contributions to VRS were calculated using the base salary amount of approximately $31,924,677 for fiscal year 2007. The University's total payroll was approximately $61,510,284 for the year ended June 30, 2007.

Optional Retirement Plans

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by two different providers rather than the VRS. The two different providers are TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services. This plan is a fixed-contribution program where the retirement benefits received are based upon the employer's (5.4 percent) and employee's (5.0 percent) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately $1,823,599 for year ended June 30, 2007. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $17,534,608 for fiscal year 2007.

Deferred Compensation Plan

Employees of the University are employees of the Commonwealth of Virginia. State 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 dollar amount match 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. Employer contributions under the deferred Compensation Plan were approximately $286,203 for the fiscal year 2007.

13. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of 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.*

14. 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, 2007, the University estimates that no material liabilities will result from such audits or questions.

15. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care 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*.

16. COMPONENT UNIT FINANCIAL INFORMATION

(A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2007:

Current receivables:		
Receivable in less than one year, net of discount $34,236	$301,140	
Less allowance for doubtful accounts	13,113	
Net current contributions receivable		$ 288,027
Non-current receivables:		
Receivable in one to five years, net of discount $84,681	744,666	
Less allowance for doubtful accounts	32,435	
Net non-current contributions receivable		712,231
Total contributions receivable		$1,000,258

The discount rate in 2007 was six percent. As of June 30, 2007, there were no conditional promises to give.

(B) Investments

Investments are comprised of the following as of June 30, 2007:

Short-term:	
Cash and cash equivalents	$ 543,195
Certificates of Deposit	474,812
Equities	3,515,967
Mutual funds	33,930,689
Total short-term	38,464,663
Long-term:	
Cash and cash equivalents	18,006
Mutual funds	1,009,796
Investment company	1,273,759
Real estate	233,487
Total long-term	2,535,048
Total investments	$40,999,711

(C) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2007 is presented as follows:

Depreciable capital assets:	
Buildings	$13,726,973
Furniture and equipment	343,459
Vehicles	249,409
Land improvements	171,216
Total depreciable capital assets, at cost	14,491,057
Less accumulated depreciation	2,247,119
Total depreciable capital assets, net of accumulated depreciation	12,243,938
Non-depreciable capital assets:	
Land	1,602,423
Development costs	695,000
Collections of art	2,146,531
Total non-depreciable capital assets	4,443,954
Total capital assets, net of accumulated depreciation	$16,687,892

(D) Long-term Debt Payable

The following is a summary of outstanding notes payable at June 30, 2007:

Note payable to a bank due in monthly payments of $11,920 including interest at 5.75 percent through May 2011, converts to monthly payments of $12,600 including interest at a negotiated rate reflecting the prevailing interest rate at June 2011, final payment for the unpaid balance due May 2016, secured by real estate, assignment of rents and negative pledge	$ 494,738
Note payable to a bank due in monthly payments of $8,423 including interest at 5.75 percent through February 2011 with a balloon payment due for the unpaid balance at the time, secured by a deed of trust on real estate	598,447
Note payable to Henry T. Charlton due in monthly payments of $1,099 including interest at 6.5 percent through December 2011, secured by Deed of Trusts on real estate	51,351
Note payable to Chrysler Financial due in monthly installments of $511 including interest at seven percent beginning February 26, 2004 with a final payment of $28,582 due January 2008, secured by vehicles.	33,574
Total long-term debt	$1,178,110

The annual maturities of notes payable for each of the five years and thereafter as of June 30, 2007 are as follows:

2008	$ 156,718
2009	130,495
2010	138,286
2011	446,027
2012	62,621
2013	59,353
2014 and later years	184,610
Total notes payable	$1,178,110

Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

March 21, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

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

The Board of Visitors
Radford University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Radford University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit of the University, which is 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 to the amounts included for the component unit 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 unit of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Internal Control over Financial Reporting

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

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards. An instance of noncompliance entitled "Properly Complete Employment Eligibility Forms," is described in the section titled "Internal Control and Compliance Findings and Recommendations."

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

Status of Prior Findings

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

Report Distribution and Exit Conference

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

We discussed this report with management at an exit conference held on March 27, 2008.

AUDITOR OF PUBLIC ACCOUNTS

JRQ:clj
clj:37

RU
RADFORD
UNIVERSITY

OFFICE OF THE PRESIDENT
PENELOPE W. KYLE

March 31, 2008

Mr. Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Mr. Kucharski:

I write this letter to respond to each of the internal control and compliance findings and recommendations issued to Radford University following the recent audit of the University's June 30, 2007, financial statements.

Strengthen Controls for Reporting Capital Assets: Radford University will review its policies and procedures in the capital asset reporting process. These policies and procedures will be revised by July 1, 2008, to strengthen internal controls to prevent future misstatements in the annual financial statements. At a minimum, the University will implement policies and procedures to:

- enhance and ensure effective and accurate communication between University offices concerning the status of capital outlay projects;
- eliminate the reporting of retagged equipment items in the capital asset schedules; and
- accurately identify and record capital asset disposals in the correct accounting period.

Perform a Stringent Review of Existing Operations in the Athletic Department

- Receipts – Procedures have been implemented to document the date of all receipts. Procedures have also been implemented to improve the separation of duties and to ensure that deposits are made timely. Additionally, game guarantees are being actively monitored to ensure that payment is received timely.

- Expenses – Procedures have been implemented to ensure that payments are adequately supported, mathematically accurate, and paid timely.

Martin Hall Radford, VA 24142
(540) 831-5401 (540) 831-6619 FAX
pwkyle@radford.edu www.radford.edu

- Reporting – Prior to July 1, 2008, the University will implement procedures to ensure accurate communication between University and Foundation offices regarding scholarships payment information. The University detected and corrected the 2006 capital asset footnote omission in the 2007 beginning balances.

In addition to the corrective measures noted above, the University took appropriate action to address employee issues in Athletics through the State and University personnel policies and procedures. The University has also created a new position (Executive Associate Athletic Director for Business and Finance) to oversee the finance operations of this area.

Properly Complete Employment Eligibility Forms: Radford University is committed to complying with the regulations and guidelines issued by the US Citizenship and Immigration Services of the US Department of Homeland Security governing the completion of Employment Eligibility Verification forms (I-9). Radford University has recently updated its policies and procedures for the completion of I-9's and a training module has been completed. All departmental employees responsible for completing I-9's will be trained by August 31, 2008. Additionally, on an ongoing basis, new staff will be trained, the completion of I-9's will be closely monitored for accuracy and timeliness, and periodic audits will be performed to determine compliance with existing policies and procedures.

I would like to thank you and your staff for the valuable services you provide. Radford University takes seriously its financial stewardship role.

Sincerely,

Penelope W. Kyle

Penelope W. Kyle
President

Copy: Donna VanCleave, Vice President for Finance and Administration
Evelyn Wilson, Associate Vice President for Finance and Administration
Bill Shorter, University Controller
Margaret McManus, University Auditor

RADFORD UNIVERSITY
Radford, Virginia