



*Old Dominion University
Financial Statements*

June 30, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Institutional Profile

Old Dominion University is a selective admission institution. The University strives to serve those students in the immediate geographical area as well as attract students from the national and international communities. Additionally, the University seeks to attract and serve a culturally and ethnically diverse student body. The University pays particular attention to identifying and admitting students who are academically gifted. As a major metropolitan institution, Old Dominion University has a special commitment to serve those students who are academically, socially or economically disadvantaged, but who have the potential for academic success.

The University fosters the extension of the boundaries of knowledge through research and scholarship and is committed to the preservation and dissemination of a rich cultural heritage. Old Dominion University is old enough to value tradition yet young enough to facilitate change. In a spirit of creative experimentation, innovation, research and technology, the University is ready to meet the challenges of the 21st century.

More than 22,200 undergraduate and graduate students comprise the Old Dominion University student body. Students currently choose from 70 baccalaureate programs, 60 master's programs, two education specialist programs and 36 doctoral programs. With over 13,100 full time and over 9,100 part time students, the University's scheduling is flexible enough to address the varied needs of individual students, including those participating in the distance learning program and a worldwide military population.

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2008. Comparative numbers, where presented, are for the fiscal year ended June 30, 2007. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying Financial Statements and Notes to Financial Statements. University management is responsible for all of the financial information presented, including this discussion and analysis.

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>2008</u>	<u>2007</u>	<u>Difference</u>	<u>Percentage Difference</u>
<u>Assets:</u>				
Current	\$ 83,228,161	\$ 68,161,593	\$ 15,066,568	22 %
Capital, net of accumulated depreciation	456,604,675	360,270,734	96,333,941	27 %
Other non-current	<u>70,514,231</u>	<u>75,844,964</u>	<u>(5,330,733)</u>	<u>(7)%</u>
Total assets	<u>610,347,067</u>	<u>504,277,291</u>	<u>106,069,776</u>	<u>21 %</u>
<u>Liabilities:</u>				
Current	75,234,921	62,296,252	12,938,669	21 %
Non-current	<u>249,300,529</u>	<u>192,745,064</u>	<u>56,555,465</u>	<u>29 %</u>
Total liabilities	<u>324,535,450</u>	<u>255,041,316</u>	<u>69,494,134</u>	<u>27 %</u>
<u>Net Assets:</u>				
Invested in capital assets, net of related debt	218,093,556	178,934,141	39,159,415	22 %
Restricted	31,520,275	42,271,732	(10,751,457)	(25)%
Unrestricted	<u>36,197,786</u>	<u>28,030,102</u>	<u>8,167,684</u>	<u>29 %</u>
Total net assets	<u>\$ 285,811,617</u>	<u>\$ 249,235,975</u>	<u>\$ 36,575,642</u>	<u>15 %</u>

Total University assets increased \$106,069,776 or 21% during fiscal year 2008. The growth in assets was a result of an increase in current and capital assets. The rise in current assets of \$15,066,568 related to the increase in prepaid assets for simulation equipment and monies due from the Commonwealth for reimbursements for bond and equipment trust funds. The capital assets increased \$96,333,941 primarily due to capitalization of construction in progress for new and continued projects. Buildings increased due to the completion of several projects and assumption of capital leases. Total University liabilities increased \$69,494,134. The rise in liabilities was a result of additional debt for related construction projects and new capital leases.

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>2008</u>	<u>2007</u>	<u>Difference</u>	<u>Percentage Difference</u>
<u>Operating revenues:</u>				
Student tuition and fees, net of scholarship allowances of \$13,789,166 and \$14,170,461	\$ 81,297,749	\$ 72,205,093	\$ 9,092,656	12.6 %
Federal grants and contracts	5,233,186	15,825,248	(10,592,062)	(66.7)%
State, local & nongovernmental grants	5,182,607	5,998,121	(815,514)	(13.6)%
Auxiliary enterprises, net of scholarship allowances of \$7,900,628 and \$6,977,655	66,428,822	58,202,673	8,226,149	14.1 %
Other operating revenues	<u>5,769,975</u>	<u>3,945,965</u>	<u>1,824,010</u>	<u>46.2 %</u>
Total operating revenues	<u>163,912,339</u>	<u>156,177,100</u>	<u>7,735,239</u>	<u>5.0 %</u>
<u>Operating expenses:</u>				
Instruction	116,591,319	97,351,129	19,240,190	19.8 %
Research	10,103,921	20,027,587	(9,923,666)	(49.6)%
Public service	348,656	501,435	(152,779)	(30.5)%
Academic support	36,021,456	34,696,704	1,324,752	3.8 %
Student services	11,007,188	10,060,757	946,431	9.4 %
Institutional support	25,715,450	22,353,908	3,361,542	15.0 %
Operation and maintenance	20,508,701	20,047,122	461,579	2.3 %
Depreciation	20,270,057	21,580,407	(1,310,350)	(6.1)%
Scholarships and fellowships	9,805,356	6,917,284	2,888,072	41.8 %
Auxiliary activities	<u>49,138,982</u>	<u>44,490,792</u>	<u>4,648,190</u>	<u>10.5 %</u>
Total operating expenses	<u>299,511,086</u>	<u>278,027,125</u>	<u>21,483,961</u>	<u>7.7 %</u>
Operating loss	<u>(135,598,747)</u>	<u>(121,850,025)</u>	<u>(13,748,722)</u>	<u>11.3 %</u>
Net nonoperating revenues and expenses	<u>144,210,492</u>	<u>128,445,545</u>	<u>15,764,947</u>	<u>12.3 %</u>
Income before other revenues, gains or losses	<u>8,611,745</u>	<u>6,595,520</u>	<u>2,016,225</u>	<u>30.6 %</u>
Other revenues	<u>27,963,897</u>	<u>18,474,614</u>	<u>9,489,283</u>	<u>51.4 %</u>
Increase in net assets	<u>36,575,642</u>	<u>25,070,134</u>	<u>11,505,508</u>	<u>45.9 %</u>
Net assets - beginning of year	<u>249,235,975</u>	<u>224,165,841</u>	<u>25,070,134</u>	<u>11.2 %</u>
Net assets - end of year	<u><u>\$ 285,811,617</u></u>	<u><u>\$ 249,235,975</u></u>	<u><u>\$ 36,575,642</u></u>	<u><u>14.7 %</u></u>

Total operating revenue increased by \$7,735,239 or 5% from the prior fiscal year. The increase would have been 12%, however due to a clarification of an accounting standard Pell grant revenues should be classified as non-operating. The growth in revenue was expected given the rise in both in state and out of state tuition rates. An increase in auxiliary enterprise revenue was the result of increases in fees and the opening of a new dormitory. Non-operating revenue increased by \$15,764,947. This was due to the new reporting requirement, a net increase in state appropriations of approximately \$6.0 million, and a reduction in interest earnings. Operating expenses increased in response to various factors including an overall increase in revenues, state approved salary increases for faculty and staff, and additional funding for student financial assistance. Other revenues increased due to additional funding from general obligation and twenty-first century bonds.

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 (\$87.2 million) and auxiliary enterprises (\$78.9 million). The primary uses are payments to employees, including salaries, wages, and fringe benefits (\$179.7 million), and payments to vendors (\$64.3 million).

Cash flow from non-capital financing reflects non-operating sources and uses of cash. The primary sources are state appropriations (\$127.1 million), federal grants (\$11.0 million), and gifts and grants (\$8.5 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 and investment income (\$49.1 million). The primary uses are purchases of capital assets (\$81.7 million) and principal paid on capital debt (\$10.4 million).

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities	\$ (116,860,383)	\$ (90,784,747)
Cash flows from non-capital financing activities	146,545,887	128,550,232
Cash flows from capital financing activities	(22,631,919)	(36,967,160)
Cash flows from investing activities	<u>1,859,945</u>	<u>(312,012)</u>
Net change in cash	<u>\$ 8,913,530</u>	<u>\$ 486,313</u>

Capital Asset and Debt Administration

Overall, funds invested in capital assets reflect the ongoing campus construction. Capital asset additions for June 30, 2008 include increases of \$55.4 million in buildings, \$8.7 million in equipment and \$4.3 million in library books. The building increase related to the completion of renovations to the Batten Arts and Letter, Indoor Tennis Center, Quad Student Housing Phase I, Tri-Cities Center and the Orchid Conservatory. Major ongoing capital projects that attributed to the net increase in Construction in Progress of \$49.9 million include Quad Student Housing Phase II, Health & PE Renovations, Physical Science Renovations, 49th Street Parking Garage, and Powhatan Sports Center.

The University's long-term debt increased (\$58,489,483). The increase is primarily the net result of the issuance of general obligation and revenue bonds payables for capital projects, capital leases and payment of existing debt.

Overall, uncompleted construction and other related contractual commitments increased from \$26,338,282 at June 30, 2007 to \$39,894,342 at June 30, 2008. Further information relating to capital assets, construction, and capital debt is included in the Notes to the Financial Statements in Notes 5, 7, and 8.

Economic Outlook

The Commonwealth of Virginia 2008-2010 biennial operating and capital budget development and appropriation process have been well publicized. The Governor and General Assembly demonstrated a commitment to higher education funding needs both in terms of "base adequacy funding" and the capital investment package. The Commonwealth investment in faculty and staff salaries, financial aid, capital investments, and the modeling and simulation research initiative are all indicative of an economy and State policy that promote education and research investments. Governor Kaine and the General Assembly's 2008 session amendments further strengthened the appropriations for higher education. This is particularly noteworthy given the downturn in Commonwealth revenues which resulted in budget reductions to higher education. In addition, the University budget is consistent with the criteria set forth in the University Strategic Plan and the Code of Virginia higher education institutional performance standards as follows: access, affordability, breadth of academic programs, academic standards, student retention and timely graduation, articulation agreements and dual enrollment, economic development, research, patents and licenses, elementary and secondary education, the six-year financial plan, and financial and administrative efficiency standards. The following priorities were established in the University's operating budget to address these diverse needs:

- Ensure the quality of academic, teaching and research programs
- Enhance direct services for students
- Continue implementation of the 2005-2009 Strategic Plan
- Build the appropriate infrastructure support, especially as it relates to accomplishing the goals of the Strategic Plan
- Recognize students' financial capabilities and limitations
- Reallocate or redirect resources, where possible, to support academic priorities and raise additional funds
- Support research centers and targeted activities
- Support educational assessment initiatives, marketing and student housing needs and
- Minimize the addition of other user and service fees to students

Due to the general economic downturn in fiscal year 2008, the University had to decrease its Educational and General Fund base budget by \$5.6 million. Consequently, in planning for fiscal year 2009, the University developed a budget plan that responds to the current fiscal environment, the priority needs of the students and faculty and staff, and the strategic investment needs of the University. Old Dominion University's budget process for fiscal year 2009 was designed to maintain the revised base budget, to sustain specific budget initiatives and programs consistent with the Commonwealth's funding policy recognition of the need for "base adequacy funding," and to build a tuition and fee increase model within the Tuition Moderation Incentive Fund 4 percent tuition cap that would address operating budget priorities and unavoidable costs.

Unfortunately, the fiscal environment within the State has not improved, and most recently, the Commonwealth Department of Planning and Budget required all state agencies including higher education to submit 5, 10 and 15 percent budget reduction plans. Since Old Dominion University experienced a nearly 7 percent enrollment increase in the fall semester, the impact of the budget reductions will require further

operating budget reductions and allocating a portion of the nongeneral fund tuition revenue generated by the enrollment increase.

Further, Standard and Poor's has upgraded Old Dominion University's rating from "A" to "A+". Given the extent of new 9c and 9d debt that the University has incurred over the last several years in order to construct the necessary infrastructure for becoming more residential, this upgraded rating demonstrates the University is prudent in managing its fiscal resources and consistently achieves both performance and financial benchmarks. The University's three to five-year capital strategy using 9c and 9d debt will be substantially less and phased to maintain an appropriate debt burden ratio given these uncertain economic times.

Old Dominion University is responsive to the rapidly changing higher education environment and follows the objectives outlined in its Strategic Plan and the Six-Year Academic and Financial Plans. Although the fiscal environment in the Commonwealth of Virginia may necessitate the modification of these plans, the University will continue to maintain its solid financial foundation and is well positioned to continue its pursuit of excellence in teaching, research and public service.

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OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2008

	Old Dominion University	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 45,462,423	\$ 10,760,218
Accounts receivable (Net of allowance for doubtful accounts \$362,409) (Note 4)	8,953,030	14,556,972
Contributions receivable (Net of allowance for doubtful collections \$719,842) (Note 11)	-	2,526,091
Due from the Commonwealth (Note 8)	10,491,257	-
Appropriations available	6,174,581	-
Travel advances	-	49,028
Prepaid expenses	10,759,815	650,154
Inventory	458,368	-
Notes receivable (Net of allowance for doubtful accounts \$18,241)	928,687	-
Other assets	-	115,840
Total current assets	<u>83,228,161</u>	<u>28,658,303</u>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	38,914,860	3,747,780
Endowment investments (Note 2)	9,650,452	3,408,723
Investments (Note 11)	19,629,007	-
Other long-term investments (Notes 2 and 11)	-	197,167,487
Accounts receivable	-	3,405,000
Contributions receivable (Net of allowance for doubtful collections \$218,142) (Note 11)	-	4,193,083
Notes receivable (Net of allowance for doubtful accounts \$60,567)	2,064,583	-
Unamortized bond issuance expense	255,329	1,953,571
Nondepreciable capital assets (Notes 5 and 11)	107,457,832	28,724,744
Capital assets (Notes 5 and 11)	<u>349,146,843</u>	<u>61,309,087</u>
Total noncurrent assets	<u>527,118,906</u>	<u>303,909,475</u>
Total assets	<u>610,347,067</u>	<u>332,567,778</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	40,794,964	6,492,568
Deferred revenue	7,889,289	6,716,768
Obligations under securities lending (Note 2)	7,412,255	-
Deposits held in custody for others	3,284,521	45,614
Other liabilities	-	12,913,830
Line of credit	-	10,074,016
Long-term liabilities - current portion (Notes 7 and 11)	<u>15,853,892</u>	<u>1,834,611</u>
Total current liabilities	<u>75,234,921</u>	<u>38,077,407</u>
Noncurrent liabilities (Notes 7 and 11)	<u>249,300,529</u>	<u>87,922,417</u>
Total liabilities	<u>324,535,450</u>	<u>125,999,824</u>
NET ASSETS		
Invested in capital assets, net of related debt	218,093,556	1,151,413
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	5,466,260	-
Permanently restricted	-	106,931,904
Expendable:		
Scholarships and fellowships	4,240,421	-
Research	2,943,701	-
Loans	3,290,493	-
Capital projects	3,391,291	-
Temporarily restricted	-	88,867,017
Departmental uses	12,188,109	-
Unrestricted	<u>36,197,786</u>	<u>9,617,620</u>
Total net assets	<u>\$285,811,617</u>	<u>\$ 206,567,954</u>

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, 2008

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$13,789,166)	\$ 81,297,749	\$ -
Gifts and contributions	-	5,727,813
Federal grants and contracts	5,233,186	-
State grants and contracts	2,161,622	-
Indirect cost	-	7,353,377
Sponsored research	-	32,614,062
Nongovernmental grants and contracts	3,020,985	-
Auxiliary enterprises (Net of scholarship allowances of \$7,900,628)	66,428,822	-
Other operating revenues	5,769,975	12,753,334
Total operating revenues	163,912,339	58,448,586
Operating expenses:		
Instruction	116,591,319	2,500,314
Research	10,103,921	37,407,648
Public service	348,656	-
Academic support	36,021,456	3,578,118
Student services	11,007,188	-
Institutional support	25,715,450	12,873,537
Operation and maintenance	20,508,701	1,836,008
Depreciation	20,270,057	2,797,748
Student aid	9,805,356	1,529,163
Auxiliary activities	49,138,982	-
Total operating expenses	299,511,086	62,522,536
Operating income/(loss)	(135,598,747)	(4,073,950)
Nonoperating revenues (expenses)		
State appropriations (Note 10)	127,661,630	-
Pell revenue	11,176,829	-
Gifts	8,414,613	-
Investment income (net of investment expenses of \$226,789)	4,747,283	17,663,243
Other	(266,011)	4,388
Interest of capital asset - related debt	(6,938,566)	-
Payments to Commonwealth from state appropriations	(567,771)	-
Payments to grantors	(17,515)	-
Net nonoperating revenue	144,210,492	17,667,631
Income before other revenues, expenses, gains, and losses	8,611,745	13,593,681
Capital appropriations	2,534,978	-
Bond issuance expense	(10,812)	-
Contributions from primary government	23,949,072	-
Capital gifts	4,017,410	-
Arbitrage expense	(98,939)	-
Disposal of plant assets	(2,427,812)	-
Contributions to permanent endowments	-	3,537,980
Total other revenues, expenses, gains, and losses	27,963,897	3,537,980
Increase in net assets	36,575,642	17,131,661
Net assets - beginning of year	249,235,975	189,436,293
Net assets - end of year	\$285,811,617	\$206,567,954

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

Cash flows from operating activities:	
Student tuition and fees	\$ 87,179,226
Grants and contracts	11,071,784
Auxiliary enterprises	78,883,631
Other receipts	5,905,371
Payments to employees	(140,034,682)
Payments to fringe benefits	(39,686,852)
Payments for services and supplies	(64,293,207)
Payments for travel	(4,713,165)
Payments for scholarships and fellowships	(34,257,983)
Payments for noncapitalized improvements and equipment	(16,756,927)
Loans issued to students	(499,024)
Collections of loans from students	341,445
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Net cash used by operating activities	(116,860,383)
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Cash flows from noncapital financing activities	
State appropriations	127,093,859
Federal grants and contracts	11,014,838
Gifts and grants for other than capital purposes	8,457,861
William D. Ford direct lending receipts	65,400,511
William D. Ford direct lending disbursements	(65,400,511)
PLUS loans receipts	7,684,084
PLUS loans disbursements	(7,684,084)
Refund to the federal government	(17,515)
Agency receipts	2,221,074
Agency payments	(2,224,230)
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Net cash provided by noncapital financing activities	146,545,887
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Cash flows from capital financing activities:	
Proceeds from capital debt and investments	49,139,700
Capital appropriations and appropriations available	8,209,070
Contributions from primary government	19,725,388
Bond premium	1,748,603
Capital gifts	856,207
Purchase of capital assets	(81,679,503)
Bond issuance expense	(284,598)
Principal paid on capital debt, leases and installments	(10,373,971)
Interest paid on capital debt, leases and installments	(9,972,815)
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Net cash provided by capital financing activities	(22,631,919)
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Cash flows from investing activities:	
Proceeds from sales and maturities of investments	2,700
Interest on investment and cash management	2,141,654
Purchase of investments	(284,409)
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Net cash provided by investing activities	1,859,945
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Net increase in cash	8,913,530
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Cash and cash equivalents - beginning of the year as restated	75,463,753
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Cash and cash equivalents - end of the year	\$ 84,377,283
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RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH
USED BY OPERATING ACTIVITIES:

Operating (loss)	\$ (135,598,747)
Adjustments to reconcile net income/(loss) to net cash used by operating activities	
Depreciation expense	20,270,057
Changes in assets and liabilities:	
Receivables, net	1,233,554
Prepaid expenses	(5,252,752)
Inventory	113,489
Accounts payable and accrued expenses	628,962
Deposits	1,374,655
Deferred revenue	<u>370,399</u>
Net cash used by operating activities	<u>\$ (116,860,383)</u>
Non-cash investing, capital and financing activities	
Assets acquired through assumption of debt	\$ 19,728,225
Increase in receivables related to nonoperating income	\$ 128,669

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Old Dominion University Intercollegiate Foundation, and the Old Dominion 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 4417 Monarch Way, Norfolk, Virginia 23529. The Educational and Real Estate and Intercollegiate Foundations have adopted December 31 as their year-end. All amounts reflected are as of December 31, 2007. 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 4111 Monarch Way, Suite 204, Norfolk, Virginia 23508.

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.

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, and notes to the financial statements.

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.

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.

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.

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.

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.

Prepaid Expenses

As of June 30, 2008, the University's prepaid expenses include a specialized simulation system; communication, computer, and network equipment; periodical subscriptions; membership dues; and conference registrations.

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.

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.

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 \$3,312,781 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2008. 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

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, 2008. 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.

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, 2008 and certain grants that have received advance funding but have not met their restriction prior to year end.

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.

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. Similarly, bond issuance costs are reported as a noncurrent asset that is amortized over the life of the bond on a straight-line basis.

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.

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.

Classification of Revenues and Expenses

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 and interest income.

Nonoperating expenses primarily 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.

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.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, 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.

Restatement on the Statement of Cash Flows

Cash and cash equivalent at beginning of year was adjusted to reflect reporting changes:

Cash and cash equivalent as previously reported June 30, 2007	\$87,312,426
Change in reporting of general fund capital appropriations	<u>(11,848,673)</u>
Cash and cash equivalents – beginning of year as restated	<u>\$75,463,753</u>

NOTE 2: 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, 2008. The following risk disclosures are required by 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 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, 2008.

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. The University does not have a credit rate risk policy. The University's portfolio can be characterized as having minimal exposure to credit risk as indicated by credit rating of A or better.

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. The University does not have a concentration of credit risk policy.

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. None of the University's investments are considered highly sensitive to changes in interest rates. 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 and weighted average maturity.

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 deposits but does have foreign investments for June 30, 2008. The foreign investments are traded in U.S. dollars. The University does not have a foreign currency risk policy.

The following information is provided with respect to the risks associated with the University's cash, cash equivalents, and investments at June 30, 2008.

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, 2008, the carrying value of the University's deposit with banks was \$17,329,529 and bank balance was \$14,470,340. 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% excess deposits to a collateral pool in the name of the State Treasury Board. At June 30, 2008, 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: US 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 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 \$7,412,255 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).

The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

Credit & Concentration of Credit Risks

Type of Investment	Percentage of Investments	Fair Value	S&P Credit Quality Rating
CASH EQUIVALENTS:			
Short-Term Fund	17.69%	\$13,500,000	AAA
Money Fund			
CMA Government Securities	2.08%	1,584,375	AAA
ML Government	0.01%	9,868	AAA
Centennial Government Trust	0.16%	121,977	Unrated
State Non Arbitrage Program	39.68%	30,268,411	AAA
Securities Lending	2.04%	1,554,907	
Total Cash Equivalents		47,039,538	
INVESTMENTS:			
Mutual/Money Market			
Intermediate Term Fund	7.40%	5,649,676	AA+
U. S. Treasury & Agency Securities*			
U. S. Treasury Bond	0.36%	274,198	AAA
Treasury Inflation Indexed Note	0.14%	110,307	AAA
U. S. Treasury Strip	0.04%	33,845	AAA
U. S. Treasury Note	0.94%	720,316	AAA
Government National Mortgage Association	0.15%	113,212	AAA
Corporate Bonds			
Merrill Lynch & Company	0.03%	19,760	A
Pitney Bowes Inc	0.05%	40,081	A
Private Export Funding Corporation	0.18%	138,169	AA+
Municipal Securities			
Indiana Bond Bank	0.03%	20,667	AA
Mississippi Development Bank Special Obligation	0.05%	41,600	AA
Oregon School Boards Association	0.04%	30,022	AA
Atlanta & Fulton County Georgia Recreation Authority	0.04%	30,787	AA
Baltimore Maryland Public Improvement General Obligation	0.05%	41,710	AA
Eastern Iowa Community College District	0.03%	25,415	Moody's Aa3
Kentucky Housing Corporation Housing	0.03%	20,668	AAA
Wilmington Delaware Series A-2	0.08%	60,780	AA-
Iowa Finance Auth Single Family Mortgage	0.07%	55,663	AAA
Agency Mortgage Backed			
Federal National Mortgage Association	0.07%	50,122	AAA
Federal Home Loan Bank	0.03%	26,025	Moody's Aaa
Federal Home Loan Bank	0.03%	20,562	AAA
Federal Home Loan Mortgage Corporation	0.04%	26,745	Moody's Aaa
Federal Home Loan Bank	0.10%	79,029	AAA
Student Loan Marketing Association	0.07%	52,402	Moody's Aaa
Tennessee Valley Authority	0.06%	43,058	AAA
United States Department Housing & Urban Development	0.10%	79,117	Moody's Aaa
Common & Preferred Stock**	1.55%	1,182,720	
Other**			
Equity Interest in Land	2.75%	2,100,000	
Mutual Funds Held by Foundations	16.16%	12,335,455	Unrated
Securities Lending	7.67%	5,857,348	
Total Investments		29,279,459	
Total Cash Equivalents & Investments	100.00%	\$76,318,997	

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

** Credit quality ratings are not required for these investments, which with the exception of "Other" do not have specified maturities.

Interest Rate Risk: Maturities

Type of Investment	0-3 Months	4-12 Months	1-5 Years	6-10 Years	Greater Than 10 Years
Cash Equivalents:					
Short-Term Fund	\$13,500,000	\$	\$	\$	\$
State Non Arbitrage Program	30,268,411				
Securities Lending	1,554,907				
Total Cash Equivalents	45,323,318				
Investments:					
Mutual/Money Market					
Intermediate Term Fund			5,649,676		
CMA Government Securities	1,584,375				
ML Government Fund	9,868				
Centennial Government Trust	121,977				
Securities Lending	5,857,348				
U. S. Treasury & Agency Securities*					
U. S. Treasury Bond				274,198	
Treasury Inflation Indexed Note			110,307		
U. S. Treasury Strip			33,845		
U. S. Treasury Note		60,847	183,319	476,150	
Government National Mortgage Association				18,557	94,655
Corporate Bonds					
Private Export Funding Corporation			138,169		
Pitney Bowes Inc				40,081	
Merrill Lynch & Company		19,760			
Municipal Securities					
Indiana Bond Bank			20,667		
Mississippi Development Bank Special Obligation			41,600		
Oregon School Boards Association			30,022		
Atlanta & Fulton County Georgia Recreation Authority			30,787		
Baltimore Maryland Public Improvement General Obligation				41,710	
Eastern Iowa Community College District				25,415	
Kentucky Housing Corporation Housing			20,668		
Wilmington Delaware Series A-2			60,780		
Iowa Finance Auth Single Family Mortgage			55,663		
Agency Head Backed					
Federal National Mortgage Association			50,122		
Student Loan Marketing Association			52,402		
Federal Home Loan Bank		46,587	79,029		
Federal Home Loan Mortgage Corporation			26,745		
Tennessee Valley Authority			43,058		
United States Department Housing & Urban Development			79,117		
Total	\$52,896,886	\$127,194	\$6,705,976	\$876,111	\$94,655

NOTE 3: DONOR RESTRICTED ENDOWMENT

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 2008, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2008, net appreciation of \$44,934 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Expendable Scholarship and Fellowships.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2008:

Student tuition and fees	\$ 4,551,887
Auxiliary enterprises	1,091,473
Federal, state, and nongovernmental grants and contracts	2,972,915
Other activities	699,164
Gross receivables	<u>9,315,439</u>
Less allowance for doubtful accounts	<u>362,409</u>
Net accounts receivable	<u>\$ 8,953,030</u>

NOTE 5: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2008 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	\$ 29,767,814	\$ 1,160,846	\$ 2,326,666	\$ 28,601,994
Construction in progress	28,941,925	86,319,370	36,405,457	78,855,838
Total nondepreciable capital assets	58,709,739	87,480,216	38,732,123	107,457,832
Depreciable capital assets:				
Buildings	414,609,660	55,484,816	2,887,657	467,206,819
Infrastructure	1,312,561	-	-	1,312,561
Equipment	62,918,934	8,722,618	6,495,626	65,145,926
Improvements other than building	8,063,783	-	-	8,063,783
Library books	52,803,050	4,367,229	115,518	57,054,761
Total depreciable capital assets	539,707,988	68,574,663	9,498,801	598,783,850
Less accumulated depreciation for:				
Buildings	143,909,429	10,806,125	2,204,655	152,510,899
Infrastructure	1,312,561	-	-	1,312,561
Equipment	41,440,632	5,601,136	6,459,870	40,581,898
Improvements other than building	5,969,611	154,448	-	6,124,059
Library books	45,514,760	3,708,348	115,518	49,107,590
Total accumulated depreciation	238,146,993	20,270,057	8,780,043	249,637,007
Depreciable capital assets, net	301,560,995	48,304,606	718,758	349,146,843
Total capital assets, net	\$360,270,734	\$135,784,822	\$39,450,881	\$456,604,675

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2008:

Employee salaries, wages, and fringe benefits payable	\$10,185,608
Retainage payable	3,135,578
Vendors and suppliers accounts payable	<u>27,473,778</u>
Current liabilities - accounts payable and accrued expenses	<u>\$40,794,964</u>

NOTE 7: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2008 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligations bonds	\$ 21,972,144	\$16,461,957	\$ 3,012,199	\$ 35,421,902	\$ 2,683,557
Revenue bonds	96,877,040	44,670,573	16,237,044	125,310,569	5,470,000
Installment purchases	2,351,500	-	107,872	2,243,628	120,727
Capital leases	76,214,483	19,728,225	3,014,157	92,928,551	2,779,747
Total long-term debt	<u>197,415,167</u>	<u>80,860,755</u>	<u>22,371,272</u>	<u>255,904,650</u>	<u>11,054,031</u>
Accrued compensated absences	6,379,306	5,288,649	4,990,806	6,677,149	4,799,861
Federal loan program contributions	700,017	-	99,526	600,491	-
Faculty early retirement plan	602,539	2,506,292	1,136,700	1,972,131	-
Total long-term liabilities	<u>\$205,097,029</u>	<u>\$88,655,696</u>	<u>\$28,598,304</u>	<u>\$265,154,421</u>	<u>\$15,853,892</u>

NOTE 8: 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	2008
General obligation bonds:			
Dormitory , Series 1983A	3.00%	2013	\$ 865,000
Dormitory , Series 1983B	3.00%	2013	820,000
Recreation , Series 2003A	2.50% - 5.50%	2010	934,988
Parking , Series 2003A	2.50% - 5.50%	2010	734,290
Student Center , Series 2003A	2.50% - 5.50%	2011	1,508,976
Dormitory , Series 2002	2.50% - 5.00%	2022	1,990,000
Dormitory , Series 2005	3.50% - 5.00%	2025	4,175,000
Dormitory , Series 2006B	4.00% - 5.00%	2026	8,065,000
Dormitory , Series 2007B	4.00% - 5.00%	2027	<u>15,290,000</u>
Total general obligation bonds			<u>34,383,254</u>

Revenue bonds:

Classrooms, Series 1999A	4.75% - 5.50%	2010	80,000
Classrooms, Series 2004B	3.00% - 5.00%	2017	4,960,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	565,000
Classrooms, Series 2007B	4.00% - 4.25%	2018	1,321,724
Recreation, Series 1999A	4.75% - 5.50%	2010	90,000
Recreation, Series 2000A	5.00% - 5.75%	2021	2,270,000
Recreation, Series 2001A	3.00% - 5.00%	2022	14,585,000
Recreation, Series 2004B	3.00% - 5.00%	2017	5,160,000
Recreation, Series 2004B	3.00% - 5.00%	2020	660,000
Recreation, Series 2007B	4.00% - 4.25%	2018	686,084
Recreation, Series 2007B	4.00% - 4.50%	2020	6,809,493
Parking, Series 1999A	4.75% - 5.50%	2010	130,000
Parking, Series 2000A	5.00% - 5.75%	2021	1,290,000
Parking, Series 2001A	3.00% - 5.00%	2022	4,465,000
Parking, Series 2003A	2.00% - 5.00%	2024	1,680,000
Parking, Series 2004A	3.00% - 5.00%	2025	3,445,000
Parking, Series 2004B	3.00% - 5.00%	2017	2,375,000
Parking, Series 2004B	3.00% - 5.00%	2020	940,000
Parking, Series 2007A	4.50% - 5.00%	2028	8,505,000
Parking, Series 2007B	4.00% - 4.25%	2018	247,192
Parking, Series 2007B	4.00% - 4.50%	2020	2,585,507
Athletic Fac. Exp., Series 2004A	3.00% - 5.00%	2025	2,050,000
Athletic Fac. Exp., Series 2005A	3.50% - 5.00%	2026	3,285,000
Athletic Fac. Exp., Series 2006A	3.00% - 5.00%	2027	945,000
Athletic Fac. Exp., Series 2007A	4.50% - 5.00%	2028	480,000
H&PE Renovation, Series 2004A	3.00% - 5.00%	2025	1,710,000
H&PE Renovation, Series 2005A	3.50% - 5.00%	2026	3,290,000
H&PE Renovation, Series 2007A	4.50% - 5.00%	2028	15,715,000
Indoor Tennis Court, Series 2004A	3.00% - 5.00%	2025	1,280,000
Indoor Tennis Court, Series 2005A	3.50% - 5.00%	2026	2,505,000
Indoor Tennis Court, Series 2006A	3.00% - 5.00%	2027	235,000
Indoor Tennis Court, Series 2007A	4.50% - 5.00%	2028	260,000
Dormitory, Series 2005A	3.50% - 5.00%	2026	21,225,000
Powhatan Sports Ctr, Series 2007A	4.50% - 5.00%	2028	<u>6,480,000</u>
Total revenue bonds			<u>122,310,000</u>
Installment purchases	4.23%	2023	2,243,628
Capital leases	Various	2008-34	<u>92,928,551</u>
Total bond, notes, installment purchases, and leases			<u>251,865,433</u>
Amortize bond premium, general obligation bonds			1,038,648

Amortize bond premium, revenue bonds	3,151,343
Deferred loss on early retirement of debt	<u>(150,774)</u>
Total bond, notes, installment purchases, leases, and bond premium	<u>\$255,904,650</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 11,054,028	\$ 11,196,545
2010	11,591,989	10,655,277
2011	11,274,864	10,079,245
2012	10,902,590	9,519,270
2013	11,459,720	8,970,438
2014-2018	63,410,795	36,374,738
2019-2023	65,020,559	21,514,900
2024-2028	45,615,164	8,901,578
2029-2033	21,232,390	2,254,927
2034-2038	303,334	5,372
Total	<u>\$251,865,433</u>	<u>\$119,472,290</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 \$3,319,130 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous and current fiscal years for which the proceeds were deposited into 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, 2008, \$15,235,000 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2008, assets purchased under capital leases were included in depreciable capital assets in the amount of \$95,368,864. The assets are net of accumulated depreciation.

NOTE 9: 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	\$103,052,147	\$10,471,572	\$ -	\$ 3,067,600	\$ -	\$116,591,319
Research	3,093,968	5,860,325	-	1,149,628	-	10,103,921
Public service	269,683	77,126	-	1,847	-	348,656
Academic support	22,842,931	12,096,555	-	1,081,970	-	36,021,456
Student services	8,790,644	2,120,175	-	96,369	-	11,007,188
Institutional support	21,303,416	2,642,644	-	1,769,390	-	25,715,450
Operation and maintenance of plant	9,708,288	7,962,601	-	2,837,812	-	20,508,701
Depreciation expense	-	-	-	-	20,270,057	20,270,057
Scholarship and related expenses	-	-	9,805,356	-	-	9,805,356
Auxiliary activities	17,363,731	26,617,619	3,568,316	1,589,316	-	49,138,982
Total	<u>\$186,424,808</u>	<u>\$67,848,617</u>	<u>\$13,373,672</u>	<u>\$11,593,932</u>	<u>\$20,270,057</u>	<u>\$299,511,086</u>

NOTE 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	\$109,412,411
Student financial assistance	13,326,627
Supplemental adjustments	
Central fund appropriation transfer	3,669,672
Eminent scholars	285,474
Grants	607,070
Tuition incentive	259,591
Credit card rebate	409,151
Virginia Coastal Energy Research	1,341,000
E & G budget reversion	(5,649,366)
Virginia Institute of Modeling & Simulation Center	<u>4,000,000</u>
Adjusted appropriations	<u>\$127,661,630</u>

NOTE 11: 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 three component units - Old Dominion University Intercollegiate Foundation, Old Dominion University Educational and Real Estate Foundation, and the Old Dominion University Research Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements.

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
Statement of Net Assets				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 646,732	\$ 3,497,078	\$ 6,616,408	\$ 10,760,218
Accounts receivable	443,059	663,654	13,450,259	14,556,972
Contributions receivable, net	873,946	1,652,145	-	2,526,091
Travel advances	-	-	49,028	49,028
Prepaid expenses	19,625	36,873	593,656	650,154
Other assets	30,244	85,596	-	115,840
Total current assets	2,013,606	5,935,346	20,709,351	28,658,303
Noncurrent assets:				
Restricted cash and cash equivalents	-	3,747,780	-	3,747,780
Investments	-	-	3,408,723	3,408,723
Other long-term investments	20,792,001	176,375,486	-	197,167,487
Accounts receivable	-	3,405,000	-	3,405,000
Contributions receivable, net	1,903,485	2,289,598	-	4,193,083
Unamortized bond issuance expense	-	1,953,571	-	1,953,571
Nondepreciable capital assets	-	28,669,942	54,802	28,724,744
Capital assets	71,002	57,904,771	3,333,314	61,309,087
Total noncurrent assets	22,766,488	274,346,148	6,796,839	303,909,475
Total assets	24,780,094	280,281,494	27,506,190	332,567,778
LIABILITIES				
Current liabilities:				
Accounts payable	469,501	1,779,962	4,243,105	6,492,568
Deferred revenue	-	5,276	6,711,492	6,716,768
Deposits held in custody for others	-	45,614	-	45,614
Agency related payables	-	12,913,830	-	12,913,830
Line of credit	-	10,074,016	-	10,074,016
Long-term liabilities – current portion	-	1,834,611	-	1,834,611
Total current liabilities	469,501	26,653,309	10,954,597	38,077,407
Noncurrent liabilities	388,550	87,533,867	-	87,922,417
Total liabilities	858,051	114,187,176	10,954,597	125,999,824
NET ASSETS				
Invested in capital assets, net of related debt	71,002	(2,307,705)	3,388,116	1,151,413
Permanently restricted	14,159,551	92,772,353	-	106,931,904
Temporarily restricted	8,177,748	69,196,621	11,492,648	88,867,017
Unrestricted	1,513,742	6,433,049	1,670,829	9,617,620
Total net assets	\$23,922,043	\$166,094,318	\$16,551,593	\$206,567,954

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	TOTAL
<u>Statement of Revenues, Expenses, and Changes in Net Assets</u>				
Operating revenues:				
Gifts and contributions	\$ 2,597,171	\$ 2,936,537	\$ 194,105	\$ 5,727,813
Indirect cost	-	-	7,353,377	7,353,377
Sponsored research	-	-	32,614,062	32,614,062
Other operating revenues	427,178	9,151,739	3,174,417	12,753,334
Total operating revenue	3,024,349	12,088,276	43,335,961	58,448,586
Operating expenses:				
Instruction	-	2,500,314	-	2,500,314
Research	-	-	37,407,648	37,407,648
Academic support	169,315	3,408,803	-	3,578,118
Institutional support	1,062,756	7,611,839	4,198,942	12,873,537
Operation and maintenance of plant	-	1,836,008	-	1,836,008
Depreciation	41,904	2,755,844	-	2,797,748
Student aid	645,045	884,118	-	1,529,163
Total operating expenses	1,919,020	18,996,926	41,606,590	62,522,536
Operating loss gain/(loss)	1,105,329	(6,908,650)	1,729,371	(4,073,950)
Investment income	1,868,480	15,536,313	258,450	17,663,243
Minority interest	-	4,388	-	4,388
Contributions to permanent endowments	905,134	2,632,846	-	3,537,980
Increase in net assets	3,878,943	11,264,897	1,987,821	17,131,661
Beginning net assets, restated	20,043,100	154,829,421	14,563,772	189,436,293
Ending net assets	\$23,922,043	\$166,094,318	\$16,551,593	\$206,567,954

Contributions Receivable

<u>Current Receivable</u>	Old Dominion University		Total
	Old Dominion University Intercollegiate Foundation	Educational and Real Estate Foundations	
Receivable due in less than one year	\$1,037,258	\$2,208,675	\$3,245,933
Less allowance for doubtful accounts	163,312	556,530	719,842
Net current accounts receivable	873,946	1,652,145	2,526,091
Receivable due in greater than 1 year, net of discount (\$672,343)	1,971,538	2,439,687	4,411,225
Less allowance for doubtful accounts	68,053	150,089	218,142
Net noncurrent contributions receivable	1,903,485	2,289,598	4,193,083
Total contributions receivable	\$2,777,431	\$3,941,743	\$6,719,174

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	\$ 2,419,239	\$ 21,152,281	\$2,979,582	\$ 26,551,102
Common & preferred stocks	1,115,761	9,765,533	15,137	10,896,431
Municipal securities	3,052,698	1,790,517	-	4,843,215
Mutual and money market funds	9,564,092	89,924,779	414,004	99,902,875
Real estate	-	259,000	-	259,000
Alternative investments	4,640,211	40,569,546	-	45,209,757
Managed investments	-	12,913,830	-	12,913,830
Total	\$20,792,001	\$176,375,486	\$3,408,723	\$200,576,210

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	\$ -	\$15,552,050	\$ 54,802	\$15,606,852
Construction in progress	-	13,117,892	-	13,117,892
Total capital assets not being depreciated	-	28,669,942	54,802	28,724,744
Depreciable capital assets:				
Buildings	-	63,493,192	1,019,489	64,512,681
Equipment	360,346	3,489,601	14,694,160	18,544,107
Total capital assets being depreciated	360,346	66,982,793	15,713,649	83,056,788
Less accumulated depreciation for:				
Buildings	-	7,408,064	758,849	8,166,913
Equipment	289,344	1,669,958	11,621,486	13,580,788
Total accumulated depreciation	289,344	9,078,022	12,380,335	21,747,701
Total depreciable capital assets, net	71,002	57,904,771	3,333,314	61,309,087
Total capital assets, net	\$ 71,002	\$86,574,713	\$3,388,116	\$90,033,831

Long-Term Liabilities

Old Dominion University Intercollegiate Foundation

Trust and annuity obligations \$388,550

Educational and Real Estate Foundations

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>2007</u>
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2005	Variable%	2033	\$56,475,000
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2006	Variable%	2031	<u>12,615,000</u>
Total bonds payable			<u>69,090,000</u>
Notes payable			
ODU Inn	6.597%	2011	3,134,225
University Village Apartments	5.60 %	2010	3,830,000
Parking Deck – 45 th Street	6.20 %	2010	965,000
Tri-Cities II	3.65 %	2014	<u>4,395,600</u>
Total notes payable			<u>12,324,825</u>
Installment purchase			
Phone installation – Phase II		2008 2008- 2009	<u>20,051</u> <u>68,198</u>
Capital lease			
Other long-term liabilities			<u>7,865,404</u>
Total long-term debt			<u>89,368,478</u>
Total component unit long-term liabilities			<u>\$89,757,028</u>

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

2008	\$ 1,834,610
2009	1,891,457
2010	1,977,559
2011	4,568,847
2012	1,970,000
Thereafter	<u>69,260,601</u>
Total	<u>\$81,503,074</u>

Other Significant Transactions with Old Dominion University

The University has entered into various Deed of Lease Agreements with Old Dominion University Real Estate Foundation. Under the agreements as of June 30, 2008, the University will repay \$80,457,441. At the expiration of the lease terms, the Old Dominion University Real Estate Foundation shall transfer the projects to the University. As such, the University has recorded capital leases relating to these lease agreements.

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, 2008 totaled \$9,520,632, \$950,145, and \$4,666,294 respectively. This includes gift transfer, payments for facilities, and services.

Component Unit Subsequent Event

In April 2008, the Intercollegiate Foundation made a disbursement to a member of the athletic staff under an existing deferred compensation arrangement in which all conditions of the mutual agreement have been met. The amount of the deferred compensation paid was approximately \$304,400.

In its role in the management of the endowments, the Educational 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 \$1,200,000 in a partnership.

Furthermore, the Educational Foundation Board has authorized a transfer of up to \$800,000 to assist the Real Estate Foundation in the development of the University Village. The transfer of funds can be made in two annual increments of up to \$400,000 beginning in 2008. In consideration for the approved grant of funds, the Educational Foundation will be provided space and furnishings in the University Bookstore without further charge.

On February 19, 2008 the Real Estate Foundation purchased a piece of property in the amount of \$583,000. The contract to purchase this property was entered into in December 2007.

NOTE 12: COMMITMENTS

At June 30, 2008, the University was a party to construction and other contracts totaling approximately \$136,683,812 of which \$96,789,470 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 \$4,765,404 for the year ended June 30, 2008.

The University has, as of June 30, 2008, the following future minimum rental payments due under the above leases:

<u>Year Ending June 30</u>	<u>Operating Lease Obligation</u>
2009	\$ 3,105,641
2010	3,040,283
2011	2,644,911
2012	2,652,751
2013	2,665,232
2014-2018	13,863,622
2019-2023	<u>3,371,108</u>
Total	<u><u>\$31,343,548</u></u>

NOTE 13: 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 (CAFR)*. The Commonwealth, 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, 2008. 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 approximately \$7,385,687 for the year ended June 30, 2008. The retirement contribution rate was 11.15% for state employees and 20.86% for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2008. Contributions to VRS were calculated using the base salary amount of approximately \$63,952,214 for the year ended June 30, 2008. The University's total payroll was approximately \$146,975,457 for the fiscal year ended June 30, 2008.

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 \$5,320,976 for the year ended June 30, 2008. Contributions to other retirement plans were calculated using the base salary amount of approximately \$51,163,232.

C. Deferred Compensation

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 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 \$486,293 for fiscal year 2008.

NOTE 14: 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*.

NOTE 15: 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, 2008, the University estimates that no material liabilities will result from such audits or questions.

NOTE 16: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

NOTE 17: SUBSEQUENT EVENT

Effective September 29, 2008, Wachovia Bank, N.A., resigned as Trustee to the Common Fund for Short Term Investments (the "Short Term Fund"). Once Wachovia announced termination of the fund, systematic distributions have occurred and will continue to occur as securities mature. As of December 31, 2008, the University has been able to withdraw 75% of the balance in the fund. This does not impact the University's ability to meet current operating expenses and obligations.

Subsequent to June 30, 2008, the global financial and credit markets experienced some of the greatest turbulence in history, resulting in significant reductions in equity values. The effect of the decline on the University investments was \$6.3 million or 9% as of December 31, 2008. The impact on the Foundation investments (included in the component unit columns of the Statement of Net Assets) was \$47.4 million or 28% as of December 31, 2008.

The University and the Foundation have taken steps to mitigate the risk of loss by monitoring exposure to various asset classes and making adjustments within the approved investment policy. The University and Foundation management and their Investment Committee actively continue to monitor the changing markets in order to maintain liquidity and the best position for the future of the University's and Foundation's assets.

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

March 31, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
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 financial statements of the business-type activities and aggregate discretely presented component units of Old Dominion University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, 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 to the amounts included for the component units of the University is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component units of the University as of June 30 2008, 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 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "Walter J. Kucharski". The signature is fluid and cursive, with a prominent initial "W".

AUDITOR OF PUBLIC ACCOUNTS

OLD DOMINION UNIVERSITY
Norfolk, Virginia

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