

**OLD DOMINION UNIVERSITY**

**REPORT ON AUDIT**

## **AUDIT SUMMARY**

Our audit of Old Dominion University for the year ended June 30, 2005, found:

the financial statements are presented fairly, in all material respects;

no internal control matters that we consider to be material weaknesses; and

no instances of noncompliance or other matters required to be reported.

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UNIVERSITY OFFICIALS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of the University's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2005. Comparative numbers, where presented, are for the fiscal year ended June 30, 2004. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, Notes to Financial Statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

### Institutional Profile

As a metropolitan university, Old Dominion University has a special commitment to serve those students who have been academically, socially, or economically disadvantaged, but who have the potential for



Generally speaking, 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.

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

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$12,185,780 and \$11,548,733	\$ 58,799,334	\$ 55,731,283
Federal grants and contracts	15,964,000	14,469,688
State, local, and nongovernmental grants	4,703,003	4,387,518
Auxiliary enterprises, net of scholarship allowances of \$4,597,069 and \$4,409,405	41,608,305	39,636,918
Other operating revenues	<u>4,240,654</u>	<u>3,585,855</u>
Total operating revenues	<u>125,315,296</u>	<u>117,811,262</u>
Operating expenses:		
Instruction	94,000,539	86,438,389
Research	3,192,855	2,380,967
Public service	496,818	704,265
Academic support	25,806,347	23,519,439
Student services	7,561,856	7,039,866
Institutional support	18,851,517	16,560,228
Operation and maintenance	13,333,012	12,907,244
Depreciation	15,705,349	14,282,992
Scholarships and fellowships	6,640,073	6,631,832
Auxiliary activities	<u>30,295,318</u>	<u>29,685,894</u>
Total operating expenses	<u>215,883,684</u>	<u>200,151,116</u>
Operating loss	(90,568,388)	(82,339,854)
Net nonoperating revenues and expenses	<u>91,744,547</u>	<u>80,092,919</u>
Income before other revenues/expenses or gains/losses	1,176,159	(2,246,935)
Other revenues	<u>19,658,102</u>	<u>12,045,919</u>
Increase in net assets	20,834,261	9,798,984
Net assets - beginning of year	<u>191,427,946</u>	<u>181,628,962</u>
Net assets - end of year	<u>\$212,262,207</u>	<u>\$191,427,946</u>

The University's operating revenues consist mostly of tuition and fees; auxiliary enterprises; and federal, state, and private grants and contracts. Operating revenues increased by \$7,504,034. The increase was primarily due to increases in tuition and fees and auxiliary services. In addition, federal and state grants increased due to additional funding of existing grants and several new grants. Nonoperating revenue







OLD DOMINION UNIVERSITY  
STATEMENT OF NET ASSETS  
As of June 30, 2005

	Old Dominion University	Component Units
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 41,803,784	\$ 20,891,107
Accounts receivable, Net of allowance for doubtful accounts of \$294,229 (Note 4)	10,627,737	10,846,374
Contributions receivable, Net of allowance for doubtful collections of \$654,466 (Note 12)	-	1,185,343
Notes receivable, Net of allowance for doubtful accounts of \$36,165	943,736	-
Due from the Commonwealth (Note 8A)	1,181,863	-
Travel advances	-	55,022
Prepaid expenses	47,919	183,809
Inventory	461,135	-
Other assets	-	223,270
<b>Total current assets</b>	<b>55,066,174</b>	<b>33,384,925</b>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	19,142,046	528,446
Endowment investments (Note 2)	9,512,856	-
Investments (Note 12)	-	3,057,423
Other long term investments (Notes 2 and 12)	12,267,630	129,166,330
Contributions receivable, Net of allowance for doubtful collections of \$409,656 (Note 12)	-	3,132,239
Notes receivable, Net of allowance for doubtful accounts of \$124,438	2,197,166	-
Nondepreciable capital assets (Notes 5 and 12)	44,483,320	9,631,948
Capital assets (Notes 5 and 12)	193,105,888	52,988,751
<b>Total noncurrent assets</b>	<b>280,708,906</b>	<b>198,505,137</b>
<b>Total assets</b>	<b>335,775,080</b>	<b>231,890,062</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	21,495,469	4,896,437
Deferred revenue	6,540,640	2,541,653
Obligations under securities lending	7,454,436	-
Deposits held in custody for others	814,854	391,327
Other liabilities	-	11,357,421
Long-term liabilities - current portion (Notes 7 and 12)	8,211,932	408,928
<b>Total current liabilities</b>	<b>44,517,331</b>	<b>19,595,766</b>
Noncurrent liabilities (Notes 7 and 12)	78,995,542	66,849,855
<b>Total liabilities</b>	<b>123,512,873</b>	<b>86,445,621</b>
<b>NET ASSETS</b>		
Invested in capital assets, Net of related debt	161,269,385	5,966,227
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,621,878	-
Permanently restricted	-	72,468,610
Expendable:		
Scholarships and fellowships	3,715,350	-
Research	781,043	-
Loans	3,369,706	-
Capital projects	7,019,156	-
Temporarily restricted	-	59,027,615
Departmental uses	7,446,413	-
Unrestricted	24,039,276	7,981,989
<b>Total net assets</b>	<b>\$212,262,207</b>	<b>\$ 145,444,441</b>

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

OLD DOMINION UNIVERSITY

OLD DOMINION UNIVERSITY  
STATEMENT OF CASH FLOWS

OLD DOMINION UNIVERSITY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2005

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RECONCILIATION OF NET OPERATING INCOME/(LOSS) TO NET CASH  
USED BY OPERATING ACTIVITIES:

Operating loss	\$ (90,568,388)
Adjustments to reconcile net income/(loss) to net cash:	
Depreciation expense	15,705,349
Changes in assets and liabilities:	
Receivables, net	(289,929)
Prepaid expenses	96,164
Inventory	(42,061)
Accounts payable and accrued expenses	2,770,116
Deferred revenue	871,642
Net cash used by operating activities	\$ (71,457,107)



Foundations are considered component units of the University and are discretely presented in the financial statements.

B. Basis of Presentation

The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public Colleges 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 and replaces the fund-group perspective previously required.

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

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

C. Basis of Accounting

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

The University’s accounting policies conform with generally accepted accounting principles as prescribed by the GASB, including all applicable GASB pronouncements, as well as applicable FASB statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply the FASB pronouncements issued after the applicable date.

D. Cash and Cash Equivalents

In accordance with the GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market

funds, and temporary highly liquid investments with an original maturity of three months or less.

E. Investments

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

I. Noncurrent Cash and Investments

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

J. 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, 2005, and certain grants that received advance funding, but have not met their restriction prior to year end.

K. 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, 2005. 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.

L. 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.

M. Federal Financial Assistance Programs

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

N. 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.

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.

O. Classification of Revenues and Expenses

The University presents its revenues and expenses as operating or nonoperating based on the following criteria:

*Operating revenues* include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and 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* 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.

P. 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 Revenues, 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 nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship allowance.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement 40,

*of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

B. Deposits

At June 30, 2005, the carrying value of the University's deposit with banks was \$7,480,413 and bank balance was \$299,387. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. Deposits with banks are covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent excess deposits to a collateral pool in the name of the State Treasury Board. At June 30, 2005, the University's deposits were not exposed to custodial credit risk.

C. 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: U.S. 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.

D. Securities Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of \$7,454,437 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).

E. Credit and Concentration of Credit Risks

<u>Type of investment</u>	<u>Percentage of Investments</u>	<u>Fair Value</u>	<u>Moody's Credit Quality Rating</u>
Cash equivalents:			
Short-term fund:	3.04%	\$ 1,400,500	AAA
Repurchase agreement Federal National Mortgage Association	9.76%	4,493,390	
Money fund:			
CMA government securities	3.09%	1,423,155	Aaa
ML government	0.02%	8,648	Aaa
State Non Arbitrage Program	23.45%	10,798,678	
Securities lending**	13.35%	<u>6,148,021</u>	
Total cash equivalents		<u>24,272,392</u>	
Investments:			
Mutual/money market:			
Intermediate term fund	11.27%	5,190,290	AA+
Centennial government trust	0.25%	113,718	
U.S. Treasury and agency securities:*			
U.S. Treasury bond	0.13%	58,804	
Treasury inflation indexed note	0.42%	193,412	
Treasury interest payment	0.20%	90,631	
U.S. Treasury note	0.74%	341,341	
Corporate bonds:			
Central Illinois State	0.11%	51,705	A1
Corporate notes:			
Merrill Lynch	0.04%	19,774	Aa3
Negotiable certificate of deposit:**			
Fireside Thrift Company	0.04%	20,365	
U.S. Trust Company	0.08%	34,553	A2
Municipal securities:			
Choctaw County OK industrial development authority	0.05%	22,341	
Mississippi development bank special obligation	0.10%	45,938	Aaa
Mississippi development bank taxable	0.04%	20,501	Aaa
Moorhead MN economic development authority taxable	0.14%	62,999	Aaa
Agency mortgage backed:			
Fannie Mae	0.26%	118,259	Aaa
Farmer Mac	0.06%	28,401	Aaa
Federal Farm Credit Bank	0.14%	63,944	Aaa

F. Interest Rate Risk: Maturities

<u>Type of Investment</u>	<u>0-3 months</u>	<u>4-12 months</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Cash equivalents:				
Short-term fund	\$ 1,400,500	\$ -	\$ -	\$ -
Repurchase agreement:				
Federal national mortgage association	4,493,390	-	-	-
State Non Arbitrage Program	10,798,678	-	-	-
Securities lending	6,148,021	-	-	-
CMA government securities	1,423,155	-	-	-
ML government fund	8,648	-	-	-
Investments:				
Mutual/money market:	-	-	-	-
Intermediate term fund	-	-	5,190,290	-
Centennial government trust	113,718	-	-	-
Securities lending	1,306,416	-	-	-
U.S. treasury and agency securities:				
U.S. treasury bond	26,239	-	-	32,565
Treasury inflation indexed note	-	-	143,208	50,204
Treasury interest payment	-	-	90,631	-
U.S. Treasury note	-	51,872	174,752	114,717
Corporate bonds:				
Central Illinois Service	-	51,705	-	-
Corporate notes:				
Merrill Lynch	-	-	19,774	-
Negotiable certificate of deposit:				

The Uniform Management of Institutional Funds Act, Code of Virginia Title 55, Chapter 15 sections 268.1-268.10, 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 2005, the payout percentage was 4.5 percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2005, net appreciation of \$3,239,222 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Non-Expendable Scholarship and Fellowships.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2005:

Student tuition and fees	\$ 4,755,815
Auxiliary enterprises	2,746,444
Federal, state, and nongovernmental grants and contracts	1,602,334
Other activities	<u>1,817,373</u>

Less accumulated depreciation:

Buildings	112,211,874	8,261,436	-	120,473,310
Infrastructure	1,312,561	-	-	1,312,561
Equipment	30,816,526	4,321,903	1,189,583	33,948,846
Improvements other than buildings	5,703,303	90,104	-	5,793,407

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.

The University has also entered into various capital lease agreements to finance the purchase of equipment. The outstanding principal represents the net present value of the remaining lease payments.

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance</u>
General obligation bonds:			
Dormitory, Series 1983A	3.00%	2013	\$ 1,315,000
Dormitory, Series 1983B	3.00%	2013	1,255,000
Recreation, Series 2003A	2.50% - 5.50%	2010	2,207,278
Smalls, Series 2003A	2.50% - 5.50%	2008	92,146
Parking, Series 2003A	2.50% - 5.50%	2010	1,734,609
Student Center, Series 2003A	2.50% - 5.50%	2011	2,868,883
Dormitory, Series 2002	2.50% - 5.00%	2022	<u>2,275,000</u>
Total general obligation bonds			<u>11,747,916</u>
Revenue bonds:			
Classrooms, Series 1997A	4.50% - 5.00%	2018	2,705,000
Classrooms, Series 1999A	4.75% - 5.50%	2010	185,000
Classrooms, Series 2004B	3.00% - 5.00%	2017	4,995,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	570,000
Recreation, Series 1997A	4.50% - 5.00%	2018	1,410,000
Recreation, Series 1999A	4.75% - 5.50%	2010	205,000
Recreation, Series 2000A	5.00% - 5.75%	2021	5,135,000
Recreation, Series 2001A	3.00% - 5.00%	2022	22,185,000
Recreation, Series 2004B	3.00% - 5.00%	2017	5,210,000
Recreation, Series 2004B	3.00% - 5.00%	2020	680,000
Parking, Series 1997A	4.50% - 5.00%	2018	510,000
Parking, Series 1999A	4.75% - 5.50%	2010	305,000
Parking, Series 2000A	5.00% - 5.75%	2021	2,910,000
Parking, Series 2001A	3.00% - 5.00%	2022	6,795,000
Parking, Series 2003A	2.00% - 5.00%	2024	1,885,000
Parking, Series 2004A	3.00% - 5.00%	2025	3,815,000
Parking, Series 2004B	3.00% - 5.00%	2017	2,395,000
Parking, Series 2004B	3.00% - 5.00%	2020	960,000
Athletic Facilities, Series 2004A	3.00% - 5.00%	2025	2,275,000
Health and Physical Education Facilities, Series 2004A	3.00% - 5.00%	2025	1,895,000
Indoor Tennis Courts, Series 2004A	3.00% - 5.00%	2025	<u>1,420,000</u>
Total revenue bonds			<u>68,445,000</u>
Capital leases	Various	2006-2008	<u>153,725</u>
Total			<u>\$80,346,641</u>



Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 4,670,052	\$ 3,667,501
2007	4,797,874	3,472,487
2008	4,920,461	3,262,798
2009	5,083,557	3,038,531
2010	5,288,340	2,809,040
2011-2015	22,306,357	10,669,874
2016-2020	23,415,000	5,139,376
2021-2025	<u>9,865,000</u>	<u>729,144</u>
Total	<u>\$80,346,641</u>	<u>\$32,788,751</u>

A. Equipment Trust Fund Program



11. STATE APPROPRIATIONS

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

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

Original legislative appropriation per Chapter 4:	
Educational and general programs	\$77,735,768
Student financial assistance	9,598,779
Supplemental adjustments:	
Central fund appropriation transfers	618,582
Eminent scholars	285,474
Military waiver reimbursement	335,990
Research	406,000
Library grant	19,504
Telecommunication rate change	<u>2,400</u>
Adjusted appropriations	<u>\$89,002,497</u>

12. COMPONENT UNIT FINANCIAL INFORMATION

The University's component units are presented in the aggregate on the face of the financial statements. The following 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.

Statement of Net Assets

	<u>ODU Intercollegiate Foundation</u>	<u>ODU Educational and Real Estate Foundation</u>	<u>ODU Research Foundation</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 718,604	\$ 17,444,935	\$ 2,727,568	\$ 20,891,107
Accounts receivable	57,757	461,947	10,326,670	10,846,374
Contributions receivable, net	98,907	1,086,436	-	1,185,343
Travel advances	-	-	55,022	55,022
Prepaid expenses	-	-	183,809	183,809
Other assets	<u>41,289</u>	<u>181,981</u>	<u>-</u>	<u>223,270</u>
Total current assets	<u>916,557</u>	<u>19,175,299</u>	<u>13,293,069</u>	<u>33,384,925</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	528,446	-	528,446
Investments	-	-	3,057,423	3,057,423
Other long-term investments	7,027,909	122,138,421	-	129,166,330
Contributions receivable, net	1,401,967	1,730,272	-	3,132,239
Nondepreciable capital assets	-	9,577,146	54,802	9,631,948
Depreciable capital assets	<u>149,205</u>	<u>48,955,140</u>	<u>3,884,406</u>	<u>52,988,751</u>
Total noncurrent assets	<u>8,579,081</u>	<u>182,929,425</u>	<u>6,996,631</u>	<u>198,505,137</u>
Total assets	<u>9,495,638</u>	<u>202,104,724</u>	<u>20,289,700</u>	<u>231,890,062</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	488,506	419,323	3,988,608	4,896,437
Deferred revenue	-	183,573	2,358,080	2,541,653
Deposits held in custody for others	-	391,327	-	391,327
Agency-related payables	-	11,357,421	-	11,357,421
Long-term liabilities, current portion	<u>-</u>	<u>408,928</u>	<u>-</u>	<u>408,928</u>
Total current liabilities	488,506	12,760,572	6,346,688	19,595,766
Noncurrent liabilities	<u>200,000</u>	<u>66,649,855</u>	<u>-</u>	<u>66,849,855</u>
Total liabilities	<u>688,506</u>	<u>79,410,427</u>	<u>6,346,688</u>	<u>86,445,621</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	149,205	1,877,814	3,939,208	5,966,227
Permanently restricted	5,056,508	67,412,102	-	72,468,610
Temporarily restricted	2,961,888	47,588,389	8,477,338	59,027,615
Unrestricted	<u>639,531</u>	<u>5,815,992</u>	<u>1,526,466</u>	<u>7,981,989</u>
Total net assets	<u>\$8,807,132</u>	<u>\$122,694,297</u>	<u>\$13,943,012</u>	<u>\$145,444,441</u>

Statement of Revenues, Expenses, and Changes in Net Assets

## 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

	<u>ODU Intercollegiate Foundation</u>	<u>ODU Educational and Real Estate Foundation</u>	<u>ODU Research Foundation</u>	<u>Total</u>
U.S. treasury and agency securities	\$ 893,141	\$ 17,307,040	\$2,674,057	\$ 20,874,238
Common and preferred stocks	866,008	16,835,108	46,857	17,747,973
Municipal securities	1,300,000	8,450,759	-	9,750,759
Mutual and money market funds	2,502,262	51,684,304	336,509	54,523,075
Real estate	163,900	3,435,013	-	3,598,913
Foreign government obligations	7,500	7,500	-	15,000
Alternative investments	<u>1,295,098</u>	<u>24,418,697</u>	<u>-</u>	<u>25,713,795</u>
Total	<u>\$7,027,909</u>	<u>\$122,138,421</u>	<u>\$3,057,423</u>	<u>\$132,223,753</u>

### Capital Assets

	<u>ODU Intercollegiate Foundation</u>	<u>ODU Educational and Real Estate Foundation</u>	<u>ODU Research Foundation</u>	<u>Total</u>
Nondepreciable capital asset:				
Land	<u>\$ -</u>	<u>\$ 9,577,146</u>	<u>\$ 54,802</u>	<u>\$ 9,631,948</u>
Depreciable capital assets:				
Buildings	-	48,589,355	1,012,639	49,601,994
Equipment	<u>500,935</u>	<u>3,035,936</u>	<u>12,624,199</u>	<u>16,161,070</u>
Total depreciable capital assets	<u>500,935</u>	<u>51,625,291</u>	<u>13,636,838</u>	<u>65,763,064</u>
Less accumulated depreciation for:				
Buildings	-	2,317,687	648,940	2,966,627
Equipment	<u>351,730</u>	<u>352,464</u>	<u>9,103,492</u>	<u>9,807,686</u>
Total accumulated depreciation	<u>351,730</u>	<u>2,670,151</u>	<u>9,752,432</u>	<u>12,774,313</u>
Total depreciable capital assets, net	<u>149,205</u>	<u>48,955,140</u>	<u>3,884,406</u>	<u>52,988,751</u>
Total capital assets, net	<u>\$149,205</u>	<u>\$58,532,286</u>	<u>\$ 3,939,208</u>	<u>\$62,620,699</u>

Long-Term Liabilities

			<u>Balance at June 30, 2005</u>
ODU Intercollegiate Foundation:			
Trust and annuity obligations			<u>\$ 200,000</u>
	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance at June 30, 2005</u>
ODU Educational and Real Estate Foundations:			
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds, Series 2003A*	Variable	2033	\$21,420,000
Norfolk Redevelopment and Housing Authority Revenue Bonds, Series 2004B and C*	Variable	2033	<u>31,340,000</u>
Total bonds payable			<u>52,760,000</u>
Notes payable:			
Student housing	6.597%	2011	3,519,859
Installment purchase:			
Phone installation		2007	149,344
Capital lease		2008-2009	225,267
Other long-term liabilities			<u>10,404,313</u>
Total long-term debt			<u>67,058,783</u>
Total component unit long-term liabilities			<u>\$67,258,783</u>

\* ODU Real Estate Foundation University Village Student Housing Project

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

2005		\$ 408,928
2006		557,204
2007		685,402
2008		779,559
2009		836,969
Thereafter		<u>53,386,408</u>
Total		<u>\$56,654,470</u>

Component Unit Subsequent Event

The Real Estate Foundation is in the process of acquiring properties for various future projects. Subsequent to year-end, the Real Estate Foundation acquired several properties in the amount of \$1,106,953 in anticipation of future project needs.

In its role in the management of the endowments, the Education Foundation enters into agreements with limited partnerships that invest in various alternative investment strategies. These agreements commit the Foundation to invest a specified amount of money over a period of time.

After year-end, the Educational Foundation signed agreements to invest an additional \$8 million in various partnerships.

13. COMMITMENTS

At June 30, 2005, the University was a party to construction and other contracts totaling approximately \$26,847,449 of which \$22,314,340 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 a one year term 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 \$4,106,951 for the year ended June 30, 2005.

The University has, as of June 30, 2005, the following future minimum rental payments due under the above leases:

Year Ending <u>June 30,</u>	Operating Lease
--------------------------------	-----------------





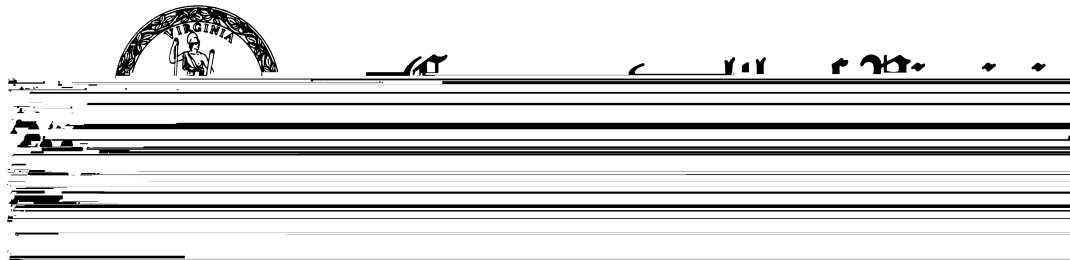
Departments for its insurance coverage. Informa

OLD DOMINION UNIVERSITY  
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES AND EXPENDITURES  
For the Year Ended June 30, 2005

	Residential Facilities	Dining Services	University Stores	Virginia Beach Development	Student Activities
Operating revenues:					
Student fees	\$ -	\$ -	\$ -	\$ 506,214	\$ 2,064,919
Sales and services	8,038,656	798,748	19,255	471,914	224,295
Rental and other income	-	-	698,441	-	-
Interest income	270,902	14,984	-	830	54
Proceeds from securities lending program	-	-	-	-	-
Gross operating revenues	8,309,558	813,732	717,696	978,958	2,289,268
Cost of sales	-	-	-	-	-
Net operating revenues	8,309,558	813,732	717,696	978,958	2,289,268
Operating expenditures:					
Personal services	2,504,824	-	-	-	1,113,431
Contractual services	3,412,607	20,694	5,615	-	863,370
Equipment	72,550	3,726	1,480	-	30,841
Supplies and materials	418,611	-	4,410	-	145,924
Scholarships	-	-	-	-	-
Total operating expenditures	6,408,592	24,420	11,505	-	2,153,566
Excess of revenues over operating expenditures	1,900,966	789,312	706,191	978,958	135,702
Nonoperating revenue:					
Private gifts	-	-	-	-	-
Mandatory transfers:					
Debt service	(547,885)	-	-	(842,015)	(4,582)
Nonmandatory transfers (to)/from other funds	(699,099)	(457,501)	(462,398)	(76,803)	(9,879)
Total transfers	(1,246,984)	(457,501)	(462,398)	(918,818)	(14,461)
Net increase/(decrease) in fund balances	653,982	331,811	243,793	60,140	121,241
Fund balances at beginning of year*	7,212,096	1,726,436	243,148	38,473	26,964
Fund balances at end of year	\$ 7,866,078	\$ 2,058,247	\$ 486,941	\$ 98,613	\$ 148,205

\* Beginning fund balances were reclassified between Athletic Programs and Other Auxiliary to remove Recreational and Club Sports from Athletic Programs.

Webb Center	Parking	East Side Development	Athletic Programs	Other Auxiliary	General Fee Reserve	Total
\$ 2,525,007	\$ -	\$ 4,166,726	\$ 9,746,495	\$ 3,102,093	\$ 1,863,564	\$ 23,975,018
75,181	2,817,666	642,794	2,126,639	5,823,336	27,339	21,065,823
-	-	-	-	-	-	698,441
11,587	129,898	97,442	42,323	93,345	-	661,365
-	-	-	-	-	153,605	153,605
2,611,775	2,947,564	4,906,962	11,915,457	9,018,774	2,044,508	46,554,252
-	-	-	4,662	392	-	5,054
2,611,775	2,947,564	4,906,962	11,910,795	9,018,382	2,044,508	46,549,198
1,008,922	684,946	-	4,422,837	3,132,943	-	12,867,903
832,349	997,304	890,176	3,472,487	1,843,436	153,605	12,491,643
140,956	6,122	125,875	100,164	666,023	-	1,147,737
322,453	14,583	38	302,134	250,760	-	1,458,913
-	-	-	2,016,856	-	-	2,016,856
2,304,680	1,702,955	1,016,089	10,314,478	5,893,162	153,605	29,983,052
307,095	1,244,609	3,890,873	1,596,317	3,125,220	1,890,903	16,566,146
-	-	-	458,167	-	-	458,167
(577,039)	(701,867)	(4,304,050)	(704,811)	(5,371)	-	(7,687,620)
61,571	(474,231)	(3,231,573)	(125,325)	(2,026,356)	(1,358,461)	(8,860,055)
(515,468)	(1,176,098)	(7,535,623)	(830,136)	(2,031,727)	(1,358,461)	(16,547,675)
(208,373)	68,511	(3,644,750)	1,224,348	1,093,493	532,442	476,638
255,373	4,708,677	6,411,519	5,443,518	6,045,287	1,516,170	33,627,661
\$ 47,000	\$ 4,777,188	\$ 2,766,769	\$ 6,667,866	\$ 7,138,780	\$ 2,048,612	\$ 34,104,299



March 17, 2006

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission

The Board of Visitors  
Old Dominion University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of **Old Dominion University**, a component unit of the Commonwealth of Virginia, and its aggregate discretely presented component units as of and for the year ended June 30, 2005. 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 12. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates the amounts included for the component units of the University is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Old Dominion University and of its aggregate discretely presented component units as of June 30, 2005, 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.



EXIT CONFERENCE

We discussed this report with management at an exit conference held on March 27, 2006.

AUDITOR OF PUBLIC ACCOUNTS

JS/kva

OLD DOMINION UNIVERSITY

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