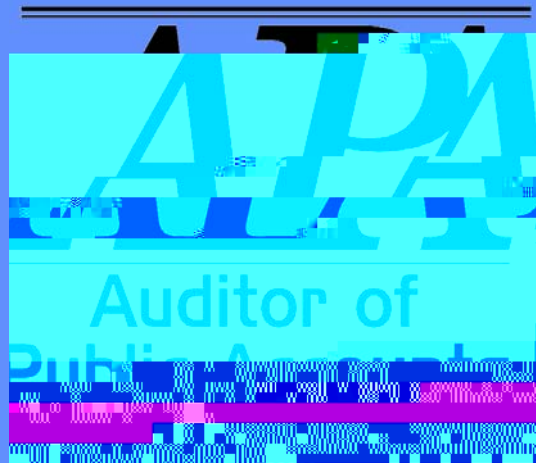


OLD DOMINION UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2007**



AUDIT SUMMARY

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

- the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles;
- no internal control matters that we consider to be material weaknesses; and
- one instance of noncompliance required to be reported under Government Auditing Standards.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of 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, 2007. Comparative numbers, where presented, are for the fiscal year ended June 30, 2006. 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.

Institutional Profile

Old Dominion University promotes the advancement of knowledge locally, nationally, and internationally. It develops in students a respect for critical reasoning and a genuine desire for learning. It 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 twenty-first century.

More than 21,600 undergraduate and graduate students comprise the Old Dominion University student body. Students currently choose from 68 baccalaureate programs, 60 master's programs, 2 education specialist programs, and 35 doctoral programs. With over 12,500 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.

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>2007</u>	<u>2006</u>	<u>Difference</u>	<u>Percentage Difference</u>
<u>Assets:</u>				
Current	\$ 68,161,593	\$ 58,146,943	\$10,014,650	17%
Capital, net of accumulated depreciation	360,270,734	270,780,578	89,490,156	33%
Other non-current	<u>75,844,964</u>	<u>79,526,145</u>	<u>(3,681,181)</u>	(5%)
Total assets	<u>504,277,291</u>	<u>408,453,666</u>	<u>95,823,625</u>	23%
<u>Liabilities:</u>				
Current	62,296,252	48,342,597	13,953,655	29%
Non-current	<u>192,745,064</u>	<u>131,759,560</u>	<u>60,985,504</u>	46%
Total liabilities	<u>255,041,316</u>	<u>180,102,157</u>	<u>74,939,159</u>	42%
<u>Net Assets:</u>				
Invested in capital assets, net of related debt	178,934,141	164,050,243	14,883,898	9%
Restricted	42,271,732	33,352,256	8,919,476	27%
Unrestricted	<u>28,030,102</u>	<u>30,949,010</u>	<u>(2,918,908)</u>	(9%)
Total net assets	<u>\$249,235,975</u>	<u>\$228,351,509</u>	<u>\$20,884,466</u>	9%

Total University assets increased \$95,823,625 or 23 percent during fiscal year 2007. The growth in assets was a result of an increase in capital and current assets. Capital assets increased \$89,490,156 primarily due to capitalization of buildings relating to new capital leases. The rise in current assets was directly related to an increase in prepaid assets for simulation equipment and monies due from the Commonwealth for interest earnings. Total University liabilities increased \$74,939,159. The rise in liabilities was a result of additional debt for related construction projects and assumption of new capital leases for the University Village apartments.

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.

Total operating revenue increased by \$16,783,189 or 12 percent from the prior fiscal year. The growth in revenue was expected given the rise in both in state and out of state tuition rates. An increase in auxiliary enterprise revenue was the result of increases in fees and the assumption of the village and the opening of two new dormitories. Non-operating revenue increased by \$21,712,200. The largest growth was the result of increased state appropriations for base adequacy. The University also experienced an increase in gifts and investment income.

Statement of Cash Flows

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

Cash flow from operating reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees (\$82.8 million) and auxiliary enterprises (\$65.3 million). The primary uses are payments to employees, including salaries, wages, and fringe benefits (\$162.4 million),

Overall, uncompleted construction and other related contractual commitments increased from \$22,240,402 at June 30, 2006, to \$26,338,282 at June 30, 2007. Further information relating to capital assets, construction, and capital debt is included in the Notes to the Financial Statements in Notes 6, 8, and 9.

Economic Outlook

The University budget is consistent with the criteria set forth in the University Strategic Plan and the Code of Virginia higher education institutional performance

FINANCIAL STATEMENTS

OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2007

ASSETS	<u>Old Dominion University</u>	<u>Component Units</u>
Current assets:		
Cash and cash equivalents (Note 3)	\$ 45,132,820	\$ 16,087,452
Accounts receivable (Net of allowance for doubtful accounts \$248,317) (Note 5)	9,870,893	14,757,709
Contributions receivable (Net of allowance for doubtful collections \$613,887) (Note 12)	-	2,013,107
Due from the Commonwealth (Note 9)	5,907,683	-
Travel advances	-	22,959
Prepaid expenses	5,725,878	550,791
Inventory	571,858	-
Notes receivable (Net of allowance for doubtful accounts \$21,373)	952,461	-
Other assets	-	105,194
Total current assets	<u>68,161,593</u>	<u>33,537,212</u>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	42,179,606	-
Endowment investments (Note 3)	11,484,795	-
Investments (Note 12)	-	3,364,448
Other long-term investments (Notes 3 and 12)	20,304,911	181,135,952
Contributions receivable (Net of allowance for doubtful collections \$200,462) (Note 12)	-	4,697,815
Notes receivable (Net of allowance for doubtful accounts \$65,012)	1,875,652	-
Unamortized bond issuance expense	-	2,064,609
Nondepreciable capital assets (Notes 6 and 12)	58,709,739	16,398,799
Capital assets (Notes 6 and 12)	<u>301,560,995</u>	<u>57,489,950</u>
Total noncurrent assets	<u>436,115,698</u>	<u>265,151,573</u>
Total assets	<u>504,277,291</u>	<u>298,688,785</u>

	<u>Old Dominion University</u>	<u>Component Units</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	30,299,558	6,633,357
Deferred revenue	7,518,890	4,494,220
Obligations under securities lending (Note 3)	10,206,913	-
Deposits held in custody for others	1,918,926	40,660
Other liabilities	-	12,955,262
Line of credit	-	743,328
Long-term liabilities - current portion (Notes 8 and 12)	<u>12,351,965</u>	<u>2,009,739</u>
Total current liabilities	<u>62,296,252</u>	<u>26,876,566</u>
Noncurrent liabilities (Notes 8 and 12)	<u>192,745,064</u>	<u>82,557,126</u>
Total liabilities	<u>255,041,316</u>	<u>109,433,692</u>
NET ASSETS		
Invested in capital assets, net of related debt	178,934,141	237,109
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	5,711,592	-
Permanently restricted	-	103,415,278
Expendable:		
Scholarships and fellowships	4,601,319	-
Research	3,776,351	-
Loans	3,158,805	-
Capital projects	14,687,307	-
Temporarily restricted	-	76,714,879
Departmental uses	10,336,358	-
Unrestricted	<u>28,030,102</u>	<u>8,887,827</u>
Total net assets	<u>\$ 249,235,975</u>	<u>\$189,255,093</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, 2007

	<u>Old Dominion University</u>	<u>Component Units</u>
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$14,170,461)	\$ 72,205,093	\$ -
Gifts and contributions	-	9,305,788
Federal grants and contracts	15,825,248	-
State grants and contracts	2,478,363	-
Indirect cost	-	6,817,565
Sponsored research	-	28,574,090
Nongovernmental grants and contracts	3,519,758	-
Auxiliary enterprises (Net of scholarship allowances of \$6,977,655)	58,202,673	-
Other operating revenues	<u>3,945,965</u>	<u>10,818,397</u>
Total operating revenues	<u>156,177,100</u>	<u>55,515,840</u>
Operating expenses (Note10):		
Instruction	97,351,129	2,316,971
Research	20,027,587	33,818,421
Public service	501,435	-
Academic support	34,696,704	3,146,851
Student services	10,060,757	-
Institutional support	22,353,908	11,191,974
Operation and maintenance	20,047,122	117,269
Depreciation	21,580,407	2,475,202
Student aid	6,917,284	1,209,509
Auxiliary activities	<u>44,490,792</u>	<u>-</u>
Total operating expenses	<u>278,027,125</u>	<u>54,276,197</u>
Operating income/(loss)	<u>(121,850,025)</u>	1,239,643

	Old Dominion University	Component Units
Nonoperating revenues (expenses):		
State appropriations (Note 11)	124,081,647	-
Gifts	7,429,922	-
Investment income (net of investment expenses of \$218,277)	6,654,078	18,873,594
Other	(571,606)	-
Interest of capital asset - related debt	(6,113,150)	-
Payments to Commonwealth from state appropriations	(3,033,719)	-
Payments to grantors	<u>(1,627)</u>	<u>-</u>
Net nonoperating revenue	<u>128,445,545</u>	<u>18,873,594</u>
Income before other revenues, expenses, gains, and losses	<u>6,595,520</u>	<u>20,113,237</u>
Capital appropriations	8,457,067	-
Bond issuance expense	(22,966)	-
Contributions from primary government	6,175,660	-
Capital gifts	3,864,853	-
Contributions to permanent endowments	<u>-</u>	<u>4,819,612</u>
Total other revenues, expenses, gains, and losses	<u>18,474,614</u>	<u>4,819,612</u>
Increase in net assets	<u>25,070,134</u>	<u>24,932,849</u>
Net assets - beginning of year, restated (Note 2)	<u>224,165,841</u>	<u>164,322,244</u>
Net assets - end of year	<u>\$ 249,235,975</u>	<u>\$ 189,255,093</u>

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

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:

Student tuition and fees	\$ 82,787,526
Grants and contracts	21,288,792
Auxiliary enterprises	65,343,248
Other receipts	3,630,767
Payments to employees	(125,984,416)
Payments to fringe benefits	(36,402,164)
Payments for services and supplies	(56,425,559)
Payments for travel	(4,437,051)
Payments for scholarships and fellowships	(30,829,042)
Payments for noncapitalized improvements and equipment	(9,842,598)
Loans issued to students	(500,000)
Collections of loans from students	<u>585,750</u>

Net cash used by operating activities (90,784,747)

Cash flows from noncapital financing activities

State appropriations	124,081,647
Payments to Commonwealth from state appropriations	(3,033,719)
Gifts and grants for other than capital purposes	7,512,970
William D. Ford direct lending receipts	55,588,434

Cash flows from investing activities:	
Proceeds from sales and maturities of investments	2,186,986
Interest on investment and cash management	1,368,138
Purchase of investments	<u>(3,867,136)</u>
Net cash provided by investing activities	<u>(312,012)</u>
Net increase in cash	486,313
Cash and cash equivalents - beginning of the year	<u>86,826,113</u>
Cash and cash equivalents - end of the year	<u>\$ 87,312,426</u>
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (121,850,025)
Adjustments to reconcile net income/(loss) to net cash used by operating activities	
Depreciation expense	21,580,407
Changes in assets and liabilities:	
Receivables, net	337,430
Prepaid expenses	(4,514,062)
Inventory	28,525
Accounts payable and accrued expenses	12,640,980
Deposits	497,223
Deferred revenue	<u>494,775</u>
Net cash used by operating activities	<u>\$ (90,784,747)</u>
Non-cash investing, capital and financing activities	
Assets acquired through assumption of debt	\$ 61,540,000
Increase in receivables related to nonoperating income	\$ 44,766

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

NOTES TO FINANCIAL STATEMENTS

OLD DOMINION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

F. Receivables

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

G. Prepaid Expenses

The University capitalized a specialized simulation system, periodical subscriptions, membership dues, and conference registrations for fiscal year 2008 that were paid in advance as of June 30, 2007.

H. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, and infrastructure assets such as campus lighting. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years, including assets acquired under the Higher Education Trust Fund. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Library materials are valued using purchase price for library acquisitions. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of \$1,710,028 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2007. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

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

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

I. Inventories

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

J. Non-current Cash and Investments

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

- *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.

Q. 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

2. RESTATEMENT OF NET ASSETS

Beginning net assets was adjusted to reflect reporting changes.

Net assets as previously reported June 30, 2006	\$228,351,509
Change in reporting for Treasury's Bond reimbursement programs	<u>(4,185,668)</u>
Net assets as of July 1, 2006	<u>\$224,165,841</u>

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2007. 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, 2007.

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.

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. The University does not have an interest rate risk policy. Interest rate information was organized by investment type and amount using segmented time distribution method.

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign deposits but does have foreign investments for June 30, 2007. 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, 2007.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for

Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. 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 United States Securities and Exchange Commission. 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, 2007, the carrying value of the University's deposit with banks was \$2,901,336, and bank balance was \$781,081. 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, 2007, 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 \$10,206,913 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).

Federal Home Loan Mortgage Corporation	0.04%	26,498	Aaa
Federal Home Loan Mortgage Corporation	0.10%	69,787	S&P AAA
Common and preferred stock**	2.49%	1,795,680	
Other: **			
Equity interest in land	1.47%	1,064,765	
Mutual funds held by Foundations	18.96%	13,694,756	Unrated
Securities lending	11.27%	<u>8,140,556</u>	
Total investments		<u>31,789,706</u>	
Total cash equivalents and investments	100.00%	<u>\$72,222,158</u>	

Moorhead Minnesota Economic Dev. Authority	-	-	60,450	-
Atlanta/Fulton County Georgia Rec. Authority	-	-	30,170	-
Baltimore Maryland Public Imp. Gen. Obl.	-	-	-	40,429
Eastern Iowa Community College District	-	-	-	24,859
Kentucky Housing Corporation Housing	-	-	-	20,207
Agency Mortgage Backed:				
Federal National Mortgage Association	-	-	47,575	-
Federal Farm Credit Bank	-	39,906	-	-
Federal Home Loan Bank	-	-	85,952	50,120
Federal Home Loan Mortgage Corporation	-	-	<u>46,552</u>	<u>49,733</u>
 Total	 <u>\$48,573,008</u>	 <u>\$208,047</u>	 <u>\$6,307,512</u>	 <u>\$578,390</u>

4. 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 2007, the payout percentage was 4.5 percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2007, net appreciation of \$394,177 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Expendable Scholarship and Fellowships.

5. ACCOUNTS RECEIVABLE

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

Student tuition and fees	\$3,840,187
Auxiliary enterprises	1,736,918
Federal, state, and nongovernmental grants and contracts	3,260,152
Other activities	<u>1,281,953</u>
 Gross receivables	 10,119,210
 Less allowance for doubtful accounts	 <u>248,317</u>
 Net accounts receivable	 <u>\$9,870,893</u>

6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 30,667,773	\$ 483,739	\$ 1,383,698	\$ 29,767,814
Construction in progress	<u>39,097,645</u>	<u>34,827,627</u>	<u>44,983,347</u>	<u>28,941,925</u>
Total nondepreciable capital assets	<u>69,765,418</u>	<u>35,311,366</u>	<u>46,367,045</u>	<u>58,709,739</u>
Depreciable capital assets:				
Buildings	305,833,275	109,023,103	246,718	414,609,660
Infrastructure	1,312,561	-	-	1,312,561
Equipment	55,975,550	8,359,593	1,416,209	62,918,934
Improvements other than buildings	7,068,591	995,192	-	8,063,783
Library books	<u>48,929,822</u>	<u>4,041,880</u>	<u>168,652</u>	<u>52,803,050</u>
Total depreciable capital assets	<u>419,119,799</u>	<u>122,419,768</u>	<u>1,831,579</u>	<u>539,707,988</u>
Less accumulated depreciation:				
Buildings	130,782,708	13,186,021	59,300	143,909,429
Infrastructure	1,312,561	-	-	1,312,561
Equipment	37,848,933	4,901,800	1,310,101	41,440,632
Improvements other than buildings	5,881,509	88,102	-	5,969,611
Library books	<u>42,278,928</u>	<u>3,404,484</u>	<u>168,652</u>	<u>45,514,760</u>
Total accumulated depreciation	<u>218,104,639</u>	<u>21,580,407</u>	<u>1,538,053</u>	<u>238,146,993</u>
Depreciable capital assets, net	<u>201,015,160</u>	<u>100,839,361</u>	<u>293,526</u>	<u>301,560,995</u>
Total capital assets, net	<u>\$270,780,578</u>	<u>\$136,150,727</u>	<u>\$46,660,571</u>	<u>\$360,270,734</u>

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employee salaries, wages, and fringe benefits payable	\$ 9,340,090
Retainage payable	1,055,046
Vendors and suppliers accounts payable	<u>19,904,422</u>
Total	<u>\$30,299,558</u>

Installment purchases – Energy Efficiency Program	4.23%	2023	<u>2,351,500</u>
Capital leases	Various	2007-34	<u>76,214,483</u>
Total principal			<u>194,681,261</u>
Bond premium, general obligation bonds			741,866
Bond premium, revenue bonds			<u>1,723,163</u>
Total long-term debt			<u>\$197,146,290</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 8,488,664	\$ 8,560,741
2009	9,066,456	8,163,089
2010	9,475,454	7,722,140
2011	8,854,863	7,257,746
2012	8,244,469	6,822,397
2013-2017	45,675,421	27,973,602
2018-2022	49,219,267	16,908,915
2023-2027	32,063,750	7,605,036
2028-2032	19,661,250	2,727,612
2033-2037	<u>3,931,667</u>	<u>112,697</u>
Total	<u>\$194,681,261</u>	<u>\$93,853,975</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 \$3,731,100 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

During fiscal year 2003, certain 1990B and 1993R General Obligation Bonds were defeased by the University. The net proceeds from the sale of those bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2007, \$4,770,504 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2007, assets purchased under capital leases were included in depreciable capital assets in the amount of \$77,248,732. The assets are net of accumulated depreciation.

10. 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,

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	\$106,254,589
Student financial assistance	11,633,849
Supplemental adjustments:	
Central fund appropriation transfers	1,885,263
Eminent scholars	285,474
VIVA Interlibrary loan allocation	22,472
Virginia Modeling, Analysis, and Simulation Center	<u>4,000,000</u>
Adjusted appropriations	<u>\$124,081,647</u>

12. 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.

<u>Statement of Net Assets</u>	<u>Old Dominion University Intercollegiate Foundation</u>	<u>Old Dominion University Educational and Real Estate Foundation</u>	<u>Old Dominion University Research Foundation</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 339,057	\$ 11,276,401	\$ 4,471,994	\$ 16,087,452

LIABILITES

Current liabilities:				
Accounts payable	385,872	1,759,573	4,487,912	6,633,357
Deferred revenue	-	318,232	4,175,988	4,494,220
Deposits held in custody for others	-	40,660	-	40,660
Agency related payables	-	12,955,262	-	12,955,262
Line of credit	-	743,328	-	743,328
Long-term liabilities – current portion	<u>-</u>	<u>2,009,739</u>	<u>-</u>	<u>2,009,739</u>
Total current liabilities	<u>385,872</u>	<u>17,826,794</u>	<u>8,663,900</u>	<u>26,876,566</u>
Noncurrent liabilities	<u>274,550</u>	<u>82,282,576</u>	<u>-</u>	<u>82,557,126</u>
Total liabilities	<u>660,422</u>	<u>100,109,370</u>	<u>8,663,900</u>	<u>109,739,692</u>

T8

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>Old Dominion University Intercollegiate Foundation</u>	<u>Old Dominion University Educational and Real Estate Foundation</u>	<u>Old Dominion University Research Foundation</u>	<u>Total</u>
U.S. treasury and agency securities	\$ 1,966,564	\$ 18,271,633	\$2,871,547	\$ 23,109,744
Common and preferred stocks	1,093,896	10,561,398	52,534	11,707,828
Municipal securities	2,150,000	1,650,125	-	3,800,125
Mutual and money market funds	8,237,753	82,605,957	440,367	91,284,077
Real estate	-	259,000	-	259,000
Foreign government obligations	5,000	5,000	-	10,000
Alternative investments	4,020,803	37,348,925	-	41,369,728
Managed investments	<u>-</u>			

Long-Term Liabilities

Old Dominion University Intercollegiate Foundation

Trust and annuity obligations \$274,550

Educational and Real Estate Foundations

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>December 31, 2006</u>
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2005	Variable	2033	\$56,560,000
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2006	Variable	2031	<u>12,615,000</u>
Total bonds payable			<u>69,175,000</u>
Notes payable			
ODU Inn	6.597%	2011	3,271,432
University Village Apartments	5.60%	2010	4,980,000
Parking Deck – 45 th Street	6.20%	2010	<u>1,450,000</u>
Total notes payable			<u>9,701,432</u>
Installment purchases			
Phone installation – Phase I		2007	48,682
Phone installation – Phase II		2008	70,051
Total installment purchases			118,733
Capital lease		2008-2009	122,048
Other long-term liabilities			<u>5,175,102</u>
Total long-term debt			<u>84,292,315</u>
Total component unit long-term liabilities			<u>\$84,566,865</u>

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

2007	\$ 2,009,739
2008	1,836,397
2009	1,889,669
2010	1,977,558
2011	4,568,850
Thereafter	<u>66,835,000</u>
Total	<u>\$79,117,213</u>

Other Significant Transactions with Old Dominion University

In May 2006, the University entered into a Deed of Lease Agreement with Old Dominion University Real Estate Foundation. The University entered into the agreement in conjunction with the issuance by the Norfolk Redevelopment and Housing Authority of its Variable Rate Demand Revenue Bonds (Old Dominion University Real Estate Foundation 45th Street Parking Garage, LLC Project), Series 2006. Under the agreement, the University will repay the aggregate principal for the Series 2006 in the amount of \$12,615,000, including bond issuance costs and the Term Loan in the amount of \$1,450,000. At the expiration of the lease term on August 15, 2031, the Old Dominion University Real Estate Foundation shall transfer the project to the University. As such the University has recorded a capital lease in the amount of \$14,065,000.

August 2006, the University entered into a Deed of Lease Agreement with Old Dominion University Real Estate Foundation. The Universi

Furthermore, the Educational Foundation Board has authorized a transfer of up to \$800,000

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 \$6,686,278 for the year ended June 30, 2007. The retirement contribution rate was 10.94 percent for state employees and 19.96 percent for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2007. Contributions to VRS were calculated using the base salary amount of approximately \$60,594,781 for the year ended June 30, 2007. The University's total payroll was approximately \$131,003,421 for the fiscal year ended June 30, 2007.

B. Optional Retirement Plan

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. The two providers are TIAA/CREF Insurance Companies and Fidelity Investment Tax-Exempt Services. These are fixed contribution programs where the retirement benefits received are based upon employer contributions of 5.4 percent and employee contribution of five percent, and interest and dividends. Individual contracts issued under the plans provide for full and immediate vesting of both University and employee contributions. Total pension costs under these plans were approximately \$4,586,901 for the year ended June 30, 2007. Contributions to other retirement plans were calculated using the base salary amount of approximately \$44,104,817.

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 \$450,516 for fiscal year 2007.

15. 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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2007, the University estimates that no material liabilities will result from such audits or questions.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 30, 2008

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

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

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

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards. An instance of noncompliance entitled "Improve Employment Eligibility Verification Process," is described in the section titled "Compliance Finding and Recommendation."

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

Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report



VICE PRESIDENT FOR ADMINISTRATION AND FINANCE
NORFOLK, VIRGINIA 23529-0014
PHONE: (757) 683-3464

June 6, 2008

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

Dear Mr. Kucharski:

Old Dominion University has reviewed the internal control finding and recommendation provided by the Auditor of Public Accounts for the fiscal year ending June 30, 2007. The University agrees with your office's finding. The finding is listed below followed by the

University's corrective action plan.

Finding: Improve Employment Eligibility Verification Process

Old Dominion University Management Response:

University management understands the importance of complying with federal regulations concerning employment eligibility. The Department of Human Resources has already taken action to ensure compliance. In January, 2008 Human Resources audited the I-9 forms for classified and hourly employees hired in 2007 to ensure accurate and timely completion of the forms. As a result of this audit, additional information and training was provided to HR staff who process I-9 forms.

- Human Resources, in cooperation with International Student and Scholar Services, will conduct training for staff on the requirements for completing the I-9

OLD DOMINION UNIVERSITY
Norfolk, Virginia

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