



*Old Dominion University
Financial Statements*

June 30, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Introduction

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Old Dominion University's (the University) financial activities based on currently known facts, decisions, and conditions.

Institutional Profile

Old Dominion University is a comprehensive, multicultural, and student-centered residential university that enjoys advantages from its unique coastal location within a thriving metropolitan region adjacent to major maritime and military installations and within easy reach of the nation's capital. Metropolitan Hampton Roads' location provides a rich living laboratory for many of ODU's academic and research pursuits, including environmental, marine, and natural sciences and engineering associated with the Chesapeake Bay and the Atlantic Ocean. The region is host to an extensive and comprehensive public education system and several community colleges and universities, with which ODU has long-standing and strong collaborations. ODU's co-location with an exceptional array of major local and federal government facilities and organizations presents opportunities for mutually beneficial partnerships, such as with the Jefferson National Laboratory, NASA Langley, Virginia Port Authority, and teaching hospitals such as Eastern Virginia Medical School and Sentara Norfolk General Hospital, among others.

Old Dominion University's six colleges: Arts and Letters, Business and Public Administration, Education, Engineering and Technology, Health Sciences and Sciences offer 69 baccalaureate programs, 55 master's programs, two education specialist programs and 41 doctoral programs. The University has achieved designation as a Research University (high research activity) from the Carnegie Foundation for the Advancement of Teaching. The University's business and research initiatives contribute nearly \$1 billion annually to the economy, making the University one of the largest generators of new jobs in the region.

Old Dominion University's economic outreach consists of a wide variety of regional projects which enhance the on-campus engineering and science curricula. The University operates the Mid-Atlantic Regional Spaceport located at Wallops Island on Virginia's Eastern Shore; has a significant presence in the Applied Research Center at the Department of Energy's Jefferson Laboratories in Newport News; continues to expand its Reidy Research Center for Bioelectrics in Norfolk and the Virginia Modeling, Analysis, and Simulation Center on the Portsmouth-Suffolk border; and owns and manages the Blackwater Ecological Preserve in Zuni.

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, 2010. Comparative numbers, where presented, are for the fiscal year ended June 30, 2009. 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.

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.

	2010	2009	Difference	Percentage Difference
<u>Assets:</u>				
Current	\$ 75,858,954	\$ 71,267,125	\$ 4,591,829	6.4 %
Capital, net of accumulated depreciation	556,237,754	541,349,163	14,888,591	2.8 %
Other noncurrent	43,094,733	59,697,886	(16,603,153)	(27.8)%
Total assets	<u>675,191,441</u>	<u>672,314,174</u>	<u>2,877,267</u>	<u>0.4 %</u>
<u>Liabilities:</u>				
Current	70,354,205	72,136,276	(1,782,071)	(2.5)%
Noncurrent	281,535,133	294,624,049	(13,088,916)	(4.4)%
Total liabilities	<u>351,889,338</u>	<u>366,760,325</u>	<u>(14,870,987)</u>	<u>(4.1)%</u>
<u>Net Assets:</u>				
Invested in capital assets, net of related debt	268,008,543	245,588,595	22,419,948	9.1 %
Restricted	26,137,759	31,138,017	(5,000,258)	(16.1)%
Unrestricted	29,155,801	28,827,237	328,564	1.1 %
Total net assets	<u>\$ 323,302,103</u>	<u>\$ 305,553,849</u>	<u>\$ 17,748,254</u>	<u>5.8 %</u>

Total University assets increased \$2,877,267 or less than 1% during fiscal year 2010. The growth in current assets was primarily the result of an increase in monies due from the Commonwealth for reimbursements for bond funds and an increase in cash equivalents from the Securities Lending Program. The rise in capital assets of \$14,888,591 was due to the purchase of equipment and capitalization of construction in progress for new and continued projects. The decrease in other noncurrent assets was a result of less cash equivalents associated with the State Non Arbitrage Program due to the completion of several projects such as Foreman Field and the Quad Student Housing Phase II. Total University liabilities decreased \$14,870,987. The decrease in liabilities was a result of the normal payment of debt. The financial position of the University has improved over the prior fiscal year as evidenced by the growth in net assets of \$17,748,254 or 5.8%.

Statement of Revenues, Expenses and Changes in Net Assets

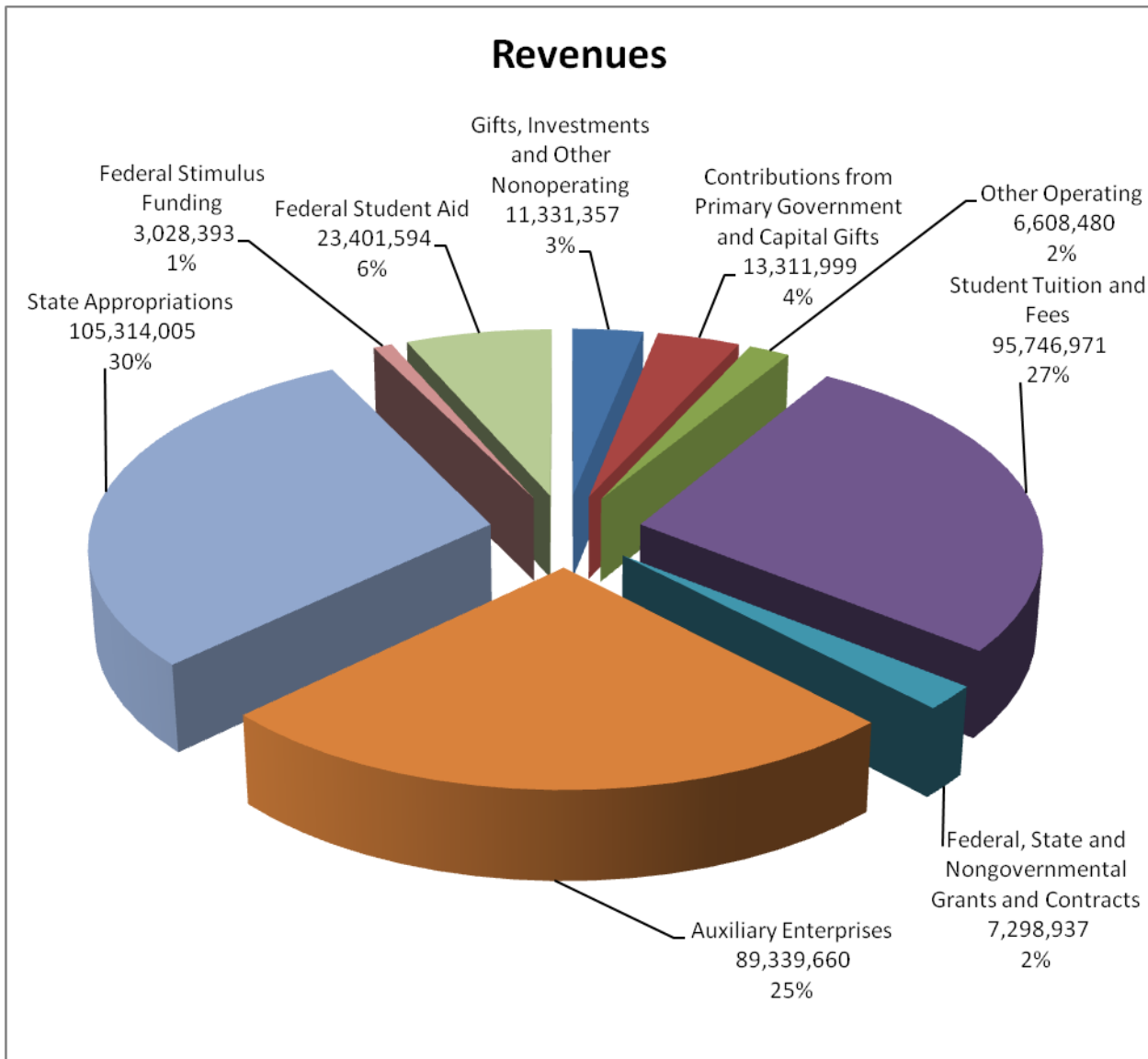
The Statement of Revenues, Expenses and Changes in Net Assets presents a summary of revenue and expense activity which resulted in the change from beginning to ending net assets. The purpose of this statement is to present the University's operating and nonoperating revenues recognized and expenses incurred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

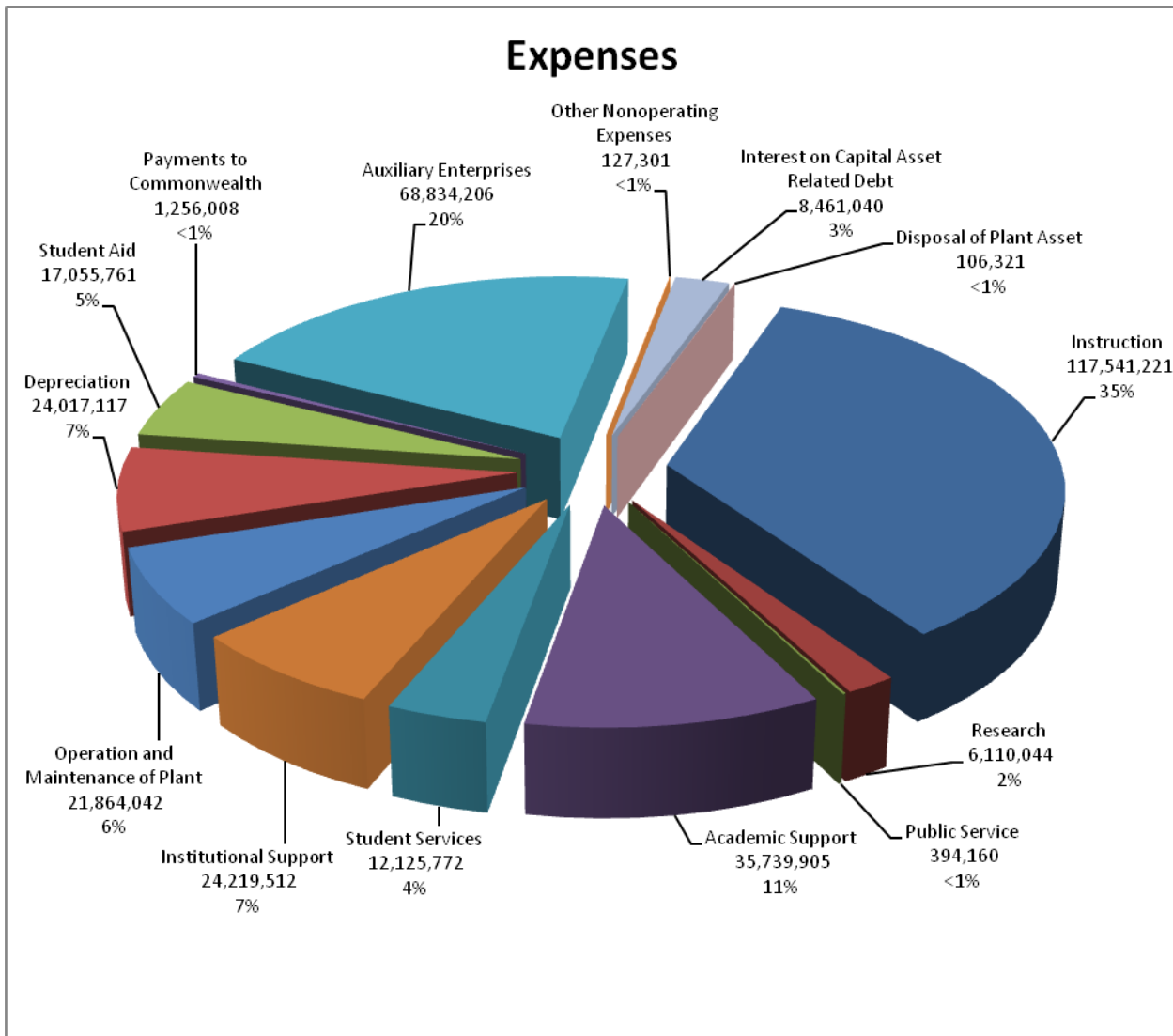
goods and services provided in return for the operating revenues and to carry out the University's mission. Salaries and fringe benefits for faculty and staff are the largest type of operating expense.

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>2010</u>	<u>2009</u>	<u>Difference</u>	<u>Percentage Difference</u>
<u>Operating revenues:</u>				
Student tuition and fees, net of scholarship allowances of \$19,903,857 and \$16,176,085	\$ 95,746,971	\$ 87,308,537	\$ 8,438,434	9.7 %
Federal grants and contracts	5,459,708	5,534,030	(74,322)	(1.3)%
State, local & nongovernmental grants	1,839,229	3,055,243	(1,216,014)	(39.8)%
Auxiliary enterprises, net of scholarship allowances of \$12,894,779 and \$8,808,007	89,339,660	74,242,101	15,097,559	20.3 %
Other operating revenues	6,608,480	5,910,408	698,072	11.8 %
Total operating revenues	<u>198,994,048</u>	<u>176,050,319</u>	<u>22,943,729</u>	<u>13.0 %</u>
<u>Operating expenses:</u>				
Instruction	117,541,221	115,275,238	2,265,983	2.0 %
Research	6,110,044	9,137,931	(3,027,887)	(33.1)%
Public service	394,160	423,179	(29,019)	(6.9)%
Academic support	35,739,905	35,785,089	(45,184)	(0.1)%
Student services	12,125,772	11,224,118	901,654	8.0 %
Institutional support	24,219,512	26,491,045	(2,271,533)	(8.6)%
Operation and maintenance	21,864,042	23,973,677	(2,109,635)	(8.8)%
Depreciation	24,017,117	22,309,687	1,707,430	7.7 %
Scholarships and fellowships	17,055,761	12,345,097	4,710,664	38.2 %
Auxiliary activities	68,834,206	59,771,647	9,062,559	15.2 %
Total operating expenses	<u>327,901,740</u>	<u>316,736,708</u>	<u>11,165,032</u>	<u>3.5 %</u>
Operating loss	<u>(128,907,692)</u>	<u>(140,686,389)</u>	<u>(11,778,697)</u>	<u>(8.4)%</u>
Net nonoperating revenues and expenses	<u>133,231,000</u>	<u>138,896,777</u>	<u>(5,665,777)</u>	<u>(4.1)%</u>
Income before other revenues/ (expenses)/gains/(losses)	<u>4,323,308</u>	<u>(1,789,612)</u>	<u>6,112,920</u>	<u>341.6 %</u>
Net other revenues and expenses	<u>13,205,678</u>	<u>21,531,844</u>	<u>(8,326,166)</u>	<u>(38.7)%</u>
Increase in net assets	<u>17,528,986</u>	<u>19,742,232</u>	<u>(2,213,246)</u>	<u>(11.2)%</u>
Net assets - beginning of year (as restated)	<u>305,773,117</u>	<u>285,811,617</u>	<u>19,961,500</u>	<u>7.0 %</u>
Net assets - end of year	<u>\$ 323,302,103</u>	<u>\$ 305,553,849</u>	<u>\$ 17,748,254</u>	<u>5.8 %</u>



Total operating revenue increased by \$22,943,729 or 13% from the prior fiscal year. The growth in revenue was expected given the rise in both in state and out of state tuition rates and an increase in enrollment. Auxiliary enterprise revenue increased as a result of increases in fees for housing and dining services as well as the opening of a new dormitory and the addition of football. The decline in nonoperating revenue by \$5,095,099 was primarily due to the decrease in appropriation revenue which was offset by an increase in Pell grant revenue and federal stimulus funding and an increase in investment income related to improved market conditions. Other revenues decreased since there was no additional capital appropriations received in the current year and a reduction in funds received from the Commonwealth for General Obligation and 21st Century Bond Programs.



Operating expenses increased in response to various factors including an overall increase for auxiliary enterprises as a result of new facilities, including a new dormitory and development of student recreation center, and the addition of the football program. Student financial assistance expenses increased as a result of additional funding. There was an expected growth in depreciation expenses due to completion of several capital projects. Nonoperating expenses increased due to an increase in interest expense related to capital debt.

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 divided into five sections. The first section deals with operating cash flows and reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees (\$113.4 million) and auxiliary enterprises (\$99.8 million). The primary uses are payments to employees, including salaries, wages, and fringe benefits (\$184.3 million), and payments to vendors (\$71.5 million).

The second section reflects the cash flow from non-capital financing activities and reflects nonoperating sources and uses of cash. The primary sources are state appropriations (\$104.1 million) and gifts and grants (\$34.6 million). The primary use is to support cash requirements of operations.

The third section represents cash flows from capital financing activities and details the activities related with the acquisition and construction of capital assets including related debt payments. The primary source is proceeds from reimbursements from the Commonwealth (\$7.0 million). The primary uses are purchases of capital assets (\$33.7 million) and principal paid on capital debt (\$13.8 million).

The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments. The primary source was from the sale and maturity of investments (\$3.1 million). The last section which is not included below reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

	2010	2009
Cash flows from operating activities	\$ (94,834,713)	\$ (118,369,342)
Cash flows from non-capital financing activities	138,536,281	148,287,881
Cash flows from capital financing activities	(49,275,733)	(43,793,233)
Cash flows from investing activities	2,023,180	5,273,778
Net change in cash	<u>\$ (3,550,985)</u>	<u>\$ (8,600,916)</u>

Capital Asset and Debt Administration

The University continues to maintain and upgrade current structures, as well as adding new facilities. Investment in the development and renewal of capital assets is one of the critical factors in sustaining the high quality of the University's academic, research, and residential life functions. Overall, funds invested in capital assets reflect the ongoing campus construction as indicated in Note 6. Capital asset additions for June 30, 2010 include increases of \$74.8 million in buildings, \$8.6 million in equipment and \$4.5 million in library books. The building increase included the completion of Quad Student Housing Phase 2 (Dominion, England and France House) and Foreman Field.

Several major ongoing capital projects were added and completed during the fiscal year which resulted in a net decrease in Construction in Progress of \$76.1 million. New additions to construction in progress of \$24.9 million include Dragas Hall Renovation, Performing Arts Phase 2 which includes the Monarch Theater, and the Student Success Center. Deductions in construction in progress were a result of the completed projects discussed above. Projects were financed through issuance of General Obligation and Revenue Bonds.

Financial stewardship requires effective management of resources, including the use of long-term debt to finance capital projects. The University's long-term debt decreased \$13.5 million as reflected in Notes 8 and 9. The decrease is the result of only issuing new debt for \$.7 million for the Webb Expansion and the payment of existing debt.

Uncompleted construction and other related contractual commitments increased from \$3,705,888 at June 30, 2009 to \$18,413,585 at June 30, 2010 as reflected in Note 13. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements. This large increase is primarily the result of the addition of several major projects for the Dragas Hall Renovation, Monarch Theater, and Student Success Center.

Economic Outlook

The Commonwealth of Virginia, like many other states across the nation, experienced a dramatic decrease in revenues for fiscal year 2010 and projected for 2011. Combined budget shortfalls in 47 states are estimated to total over \$350 billion for FY 09 through FY 11 according to the *Center on Budget and Policy Priorities* (May 13, 2009). Virginia's operating and capital budget development and appropriation process have been well publicized. Unprecedented fiscal actions were undertaken by the Governor and General Assembly to address the revenue shortfall associated with the national economic recession.

All Commonwealth of Virginia state agencies and institutions of higher education experienced reductions in State General Funds over the past couple years. Virginia's higher education agencies collectively lost \$343 million in state base funding (Old Dominion University's loss totaled \$36.5 million) and received \$190 million in FY 11 federal stimulus funding (Old Dominion University received a total \$21.6 million in one-time stimulus funds in FY 10 and FY 11). State policy, consistent with the Stimulus Legislation, largely allocates budget funding to sustain higher education state funding at levels no less than FY 06 that appropriations support traditional Educational & General budget requirements such as instruction, academic support, student services, etc.

The Governor and General Assembly also supported continuation of the modeling and simulation initiative. The \$2.1 million will enable continuation of 14 faculty and their research and teaching endeavors to promote the econometric multiplier modeling and simulation growth has brought to the region.

Given the economic and funding dynamics challenging all public agencies over the past two years, the University developed a 4-Year Financial Plan which realigns its E&G base budget to reflect the evolving reductions in state funding offset by federal stimulus funding which ends in FY 12. Consequently for FY 11, the University developed a budget plan which responds to the current fiscal environment, priority needs for our students and faculty/staff, and the strategic investment needs of the University. Old Dominion University's budget process for FY 11 was managed to maintain the revised base budget, to sustain specific budget initiatives/programs and to build a tuition and fee increase model consistent with the revenue assumptions of the 4-Year Financial Plan. 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, and financial and administrative efficiency standards.

President Broderick defined the following priorities to address these diverse needs:

- Control the cost/expenditure base and increase the revenue base in FY 11 and FY 12
- Use of \$12.7M in stimulus funds to mitigate tuition increase to no more than 7% in FY 11
- Take into account enrollment growth and shifts to on or off campus
- Ensure the quality of academic, teaching and research programs
- Enhance direct services for students
- Continue implementation of the 2009-2014 Strategic Plan
- Build the appropriate infrastructure support especially as it relates to accomplishing the goals of the Strategic Plan as well as continue efforts to reduce base expenses and streamline services
- Recognize our students' financial capabilities and limitations
- Meet ongoing costs, some of which increase (leases, contracts)
- Reallocate or redirect resources, where possible, to support academic priorities
- Make selective strategic and enrollment base investments such as in faculty positions and one-time initiatives

The University is responsive to the rapidly changing higher education environment. Old Dominion 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.

OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2010

	Old Dominion University	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 55,548,506	\$ 23,952,546
Accounts receivable (Net of allowance for doubtful accounts \$490,158) (Note 5)	8,725,171	23,490,223
Contributions receivable (Net of allowance for doubtful collections \$214,386) (Note 12)	-	2,347,945
Due from the Commonwealth (Note 5)	7,655,336	-
Appropriations available	349,899	-
Travel advances	-	46,083
Prepaid expenses	2,044,748	807,000
Inventory	491,007	-
Notes receivable (Net of allowance for doubtful accounts \$19,473)	1,044,287	-
Other assets	-	213,303
Total current assets	75,858,954	50,857,100
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	17,500,499	-
Endowment investments (Note 3)	6,978,641	-
Investments (Notes 3 and 12)	15,838,618	152,186,978
Contributions receivable (Net of allowance for doubtful collections \$169,875) (Note 12)	-	3,854,157
Notes receivable (Net of allowance for doubtful accounts \$61,989)	2,109,691	3,405,000
Unamortized bond issuance expense	667,284	281,482
Nondepreciable capital assets (Notes 6 and 12)	49,439,975	22,254,150
Capital assets (Notes 6 and 12)	506,797,779	56,942,621
Total noncurrent assets	599,332,487	238,924,388
Total assets	675,191,441	289,781,488
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	33,019,982	11,755,945
Deferred revenue	9,455,480	6,884,817
Obligations under securities lending (Note 3)	7,587,877	-
Deposits held in custody for others	2,539,809	39,891
Other liabilities	-	9,886,643
Line of credit	-	797,208
Long-term liabilities - current portion (Notes 8 and 12)	17,751,057	2,561,195
Total current liabilities	70,354,205	31,925,699
Noncurrent liabilities (Notes 8 and 12)	281,535,133	87,475,791
Total liabilities	351,889,338	119,401,490
NET ASSETS		
Invested in capital assets, net of related debt	268,008,543	(6,603,261)
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,116,240	-
Permanently restricted	-	111,176,868
Expendable:		
Scholarships and fellowships	6,146,866	-
Research	931,455	-
Loans	3,362,068	-
Capital projects	130,559	-
Temporarily restricted	-	53,576,423
Departmental uses	11,450,571	-
Unrestricted	29,155,801	12,229,968
Total net assets	\$ 323,302,103	\$ 170,379,998

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, 2010

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$19,903,857)	\$ 95,746,971	\$ -
Gifts and contributions	-	5,985,044
Federal grants and contracts	5,459,708	-
State grants and contracts	56,137	-
Indirect cost	-	7,750,696
Sponsored research	-	33,915,710
Nongovernmental grants and contracts	1,783,092	-
Auxiliary enterprises (Net of scholarship allowances of \$12,894,779)	89,339,660	-
Other operating revenues	6,608,480	11,370,007
Total operating revenues	198,994,048	59,021,457
Operating expenses:		
Instruction	117,541,221	1,905,471
Research	6,110,044	39,567,129
Public service	394,160	-
Academic support	35,739,905	6,195,454
Student services	12,125,772	-
Institutional support	24,219,512	5,217,420
Operation and maintenance	21,864,042	73,690
Depreciation	24,017,117	2,951,481
Student aid	17,055,761	994,883
Auxiliary activities	68,834,206	-
Total operating expenses	327,901,740	56,905,528
Operating income/(loss)	(128,907,692)	2,115,929
Nonoperating revenues (expenses):		
State appropriations (Note 11)	106,253,633	-
Pell grant revenue	23,401,594	-
ARRA State Fiscal Stabilization Funds	2,794,155	-
ARRA revenue	234,238	-
Gifts	8,461,351	-
Investment income (Net of investment expenses of \$162,165)	2,870,006	17,986,725
Other	(92,081)	-
Interest of capital asset - related debt	(8,461,040)	-
Payments to Commonwealth from state appropriations	(939,628)	-
Payments to Commonwealth - central fund reduction	(1,256,008)	-
Payments to grantors	(35,220)	-
Net nonoperating revenues (expenses)	133,231,000	17,986,725
Income before other revenues, (expenses), gains, and (losses)	4,323,308	20,102,654
Contributions from primary government	9,907,509	-
Capital gifts	3,404,490	-
Loss on disposal of plant assets	(106,321)	-
Contributions to permanent endowments	-	1,267,095
Total other revenues, (expenses), gains, and (losses)	13,205,678	1,267,095
Increase in net assets	17,528,986	21,369,749
Net assets - beginning of year (as restated) (Note 2)	305,773,117	149,010,249
Net assets - end of year	\$ 323,302,103	\$ 170,379,998

RECONCILIATION OF STATEMENT OF CASH FLOWS,
STATEMENT OF NET ASSETS:

Statement of Net Assets

Cash and cash equivalents	\$	73,049,005
Less: Securities lending - Treasurer of Virginia		<u>(4,930,528)</u>
Net cash and cash equivalent	\$	<u><u>68,118,477</u></u>

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

Operating (loss)	\$	(128,907,692)
Adjustments to reconcile net income/(loss) to net cash used by operating activities		
Depreciation expense		24,017,117
Changes in assets and liabilities:		
Receivables, net		1,236,421
Prepaid expenses		7,990,117
Inventory		2,939
Accounts payable and accrued expenses		1,282,505
Deposits		(1,782,215)
Deferred revenue		<u>1,326,095</u>
Net cash used by operating activities	\$	<u><u>(94,834,713)</u></u>
Non-cash investing, capital and financing activities		
Security lending	\$	4,930,528
Capitalization of interest expense	\$	4,463,597
Amortization of bond premium	\$	450,748
Change in receivables related to nonoperating income	\$	313,142

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 Foundations, 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 Foundations receive, administer, and distribute 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, 4th Floor, 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, 2009. 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. Transactions between the University and these component units have not been eliminated in this year's 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

The University capitalized computer services and lease payments for fiscal year 2011 that were paid in advance as of June 30, 2010.

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, intangibles, 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, with the exception of intra-entity capital asset donations which, in accordance with GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of \$4,463,597 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2010. 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	7-30 years
Equipment	2-25 years
Library materials	5 years
Intangible assets	4-10 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, 2010. 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, 2010 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 Statement 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 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.

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.

NOTE 2: RESTATEMENT OF NET ASSETS

Beginning Net Assets was adjusted to reflect the implementation of GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*.

Net asset balance as previously reported at June 30, 2009	\$ 305,553,849
Change in reporting of intangible assets	<u>219,268</u>
Net asset balance beginning of year as restated	<u><u>\$ 305,773,117</u></u>

NOTE 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, 2010. 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, 2010.

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 the majority of credit ratings being A1 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, 2010. The foreign investments are traded in U.S. dollars and the risk is considered to be low. 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, 2010.

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, 2010, the carrying value of the University's deposit with banks was \$38,141,087 and bank balance was \$31,265,758. 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, 2010, 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 \$7,587,877 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

<u>Type of Investment</u>	<u>Percentage of Investments</u>	<u>Fair Value</u>	<u>Moody Credit Quality Rating</u>
CASH EQUIVALENTS:			
Money Fund			
CMA Government Securities	4.96%	\$ 1,594,278	S&P AAA
ML Government Fund	0.03%	9,916	S&P AAA
Centennial Government Trust	2.11%	676,389	Unrated
State Non Arbitrage Program	6.53%	2,098,301	Aaa
Securities Lending	15.35%	4,930,528	
Total Cash Equivalents		<u>9,309,412</u>	
INVESTMENTS:			
Mutual/Money Market			
Intermediate Term Fund	17.88%	5,742,552	S&P AA
U. S. Treasury & Agency Securities*			
U. S. Treasury Bond	0.20%	64,690	Aaa
Treasury Inflation Indexed Note	0.16%	51,744	Aaa
U. S. Treasury Note	1.66%	534,072	Aaa
Corporate Bonds			
Chevron Corporation	0.25%	81,363	Aa1
JPMorgan Chase & Co	0.25%	80,604	Aa3
Pepsico Inc	0.25%	79,168	Aa3
Pitney Bowes Inc	0.14%	44,450	A1
WalMart Stores	0.16%	52,759	Aa2
Municipal Securities			
Indiana Board Bank Rev	0.07%	21,286	Baa1
Baltimore Maryland Public Improvement General Obligation	0.14%	45,095	Aa2
Eastern Iowa Community College District	0.09%	27,496	Aa2
Kentucky Housing Corporation Housing	0.03%	10,854	Aaa
Iowa Finance Authority Single Family Mortgage	0.13%	42,648	Aaa
Agency Mortgage Backed			
Federal Home Loan Bank	0.24%	78,396	Aaa
Federal Home Loan Mortgage Corporation	0.16%	51,701	Aaa
Student Loan Marketing Association	0.16%	52,627	Aaa
United States Housing & Urban Development	0.25%	80,055	Unrated
Common & Preferred Stock**	4.19%	1,347,440	
Other**			
Equity Interest in Land	6.54%	2,100,000	
Mutual Funds Held by Foundations	29.80%	9,570,910	Unrated
Securities Lending	8.27%	2,657,349	
Total Investments		<u>22,817,259</u>	
Total Cash Equivalents & Investments	<u>100.00%</u>	<u>\$ 32,126,671</u>	

* 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

<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:				
State Non Arbitrage Program	\$ 2,098,301	\$ -	\$ -	\$ -
Securities Lending	4,930,528			
Total Cash Equivalents	<u>7,028,829</u>			
Investments:				
Mutual/Money Market				
Intermediate Term Fund			5,742,552	
CMA Government Securities	1,594,278			
ML Government Fund	9,916			
Centennial Government Trust	676,389			
Securities Lending	2,657,349			
U. S. Treasury & Agency Securities				
U. S. Treasury Bond				64,690
Treasury Inflation Indexed Note		51,744		
U. S. Treasury Note			350,893	183,179
Corporate Bonds				
Chevron Corp			81,363	
JPMorgan Chase & Co			80,604	
Pepsico Inc			79,168	
Pitney Bowes Inc			44,450	
WalMart Stores			52,759	
Municipal Securities				
Baltimore Maryland Public Improvement General Obligation			45,095	
Eastern Iowa Community College District			27,496	
Indiana Board Bank Rev			21,286	
Kentucky Housing Corporation Housing			10,854	
Iowa Finance Authority Single Family Mortgage			42,648	
Agency Mortgage Backed				
Federal Home Loan Bank		78,396		
United States Housing & Urban Development			80,055	
Student Loan Marketing Association			52,627	
Federal Home Loan Mortgage Corporation			51,701	
Total	<u>\$ 11,966,761</u>	<u>\$ 130,140</u>	<u>\$ 6,763,551</u>	<u>\$ 247,869</u>

NOTE 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 2010, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2010, net appreciation of \$400,555 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Expendable Scholarship and Fellowships.

NOTE 5: ACCOUNTS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2010:

Student tuition and fees	\$ 5,082,958
Auxiliary enterprises	1,413,403
Federal, state, and nongovernmental grants and contracts	2,394,392
Other activities	324,576
Gross receivables	<u>9,215,329</u>
Less allowance for doubtful accounts	490,158
Net accounts receivable	<u><u>\$ 8,725,171</u></u>

B. Due from the Commonwealth consisted of the following at June 30, 2010:

Interest/rebate allocation	\$ 1,035,103
Equipment trust fund reimbursement	3,297,399
Virginia College Building Authority 21 st Century Bonds	2,039,966
General Obligation Bonds	1,282,868
Total Due from Commonwealth of Virginia	<u><u>\$ 7,655,336</u></u>

NOTE 6: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2010 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	\$ 29,855,861	\$ 486,336	\$ -	\$ 30,342,197
Construction in progress	70,279,297	24,926,307	76,107,826	19,097,778
Total nondepreciable capital assets	<u>100,135,158</u>	<u>25,412,643</u>	<u>76,107,826</u>	<u>49,439,975</u>
Depreciable capital assets:				
Buildings	567,869,132	74,784,579	625,321	642,028,390
Infrastructure	1,312,561	-	-	1,312,561
Equipment	69,287,874	8,564,399	563,492	77,288,781
Improvements other than building	8,580,948	1,553,604	22,990	10,111,562
Library books	60,916,756	4,475,686	393,443	64,998,999
Intangible Assets	2,000,627	91,271	-	2,091,898
Total depreciable capital assets	<u>709,967,898</u>	<u>89,469,539</u>	<u>1,605,246</u>	<u>797,832,191</u>
Less accumulated depreciation for:				
Buildings	164,126,864	13,213,497	561,784	176,778,577
Infrastructure	1,312,561	-	-	1,312,561
Equipment	42,780,451	6,259,938	544,477	48,495,912
Improvements other than building	6,211,726	260,988	17,626	6,455,088
Library books	52,433,458	4,135,622	393,443	56,175,637
Intangible Assets	1,669,565	147,072	-	1,816,637
Total accumulated depreciation	<u>268,534,625</u>	<u>24,017,117</u>	<u>1,517,330</u>	<u>291,034,412</u>
Depreciable capital assets, net	<u>441,433,273</u>	<u>65,452,422</u>	<u>87,916</u>	<u>506,797,779</u>
Total capital assets, net	<u>\$ 541,568,431</u>	<u>\$ 90,865,065</u>	<u>\$ 76,195,742</u>	<u>\$ 556,237,754</u>

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2010:

Employee salaries, wages, and fringe benefits payable	\$ 16,000,547
Retainage payable	888,468
Vendors and suppliers accounts payable	16,130,967
Current liabilities - accounts payable and accrued expenses	<u>\$ 33,019,982</u>

NOTE 8: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 9) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2010 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligations bonds	\$ 73,161,671	\$ 6,292,109	\$ 10,562,394	\$ 68,891,386	\$ 3,356,357
Revenue bonds	154,746,725	788,229	7,030,980	148,503,974	7,095,000
Installment purchases	2,974,962	-	266,621	2,708,341	274,989
Capital leases	74,228,875	-	2,697,289	71,531,586	2,254,340
Total long-term debt	<u>305,112,233</u>	<u>7,080,338</u>	<u>20,557,284</u>	<u>291,635,287</u>	<u>12,980,686</u>
Accrued compensated absences	7,042,233	5,876,297	5,964,075	6,954,455	4,709,871
Federal loan program contributions	90,475	61,473	-	151,948	-
Faculty early retirement plan	835,431	-	835,431	-	-
Other liabilities	-	605,000	60,500	544,500	60,500
Total long-term liabilities	<u>\$ 313,080,372</u>	<u>\$ 13,623,108</u>	<u>\$ 27,417,290</u>	<u>\$ 299,286,190</u>	<u>\$ 17,751,057</u>

NOTE 9: LONG-TERM DEBT

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

Description	Interest Rates	Maturity	2010
General obligation bonds:			
Dormitory, Series 1983A	3.00%	2013	\$ 540,000
Dormitory, Series 1983B	3.00%	2013	505,000
Student Center, Series 2003A	2.50% - 5.50%	2011	516,357
Dormitory, Series 2002	2.50% - 5.00%	2022	360,000
Dormitory, Series 2005	3.50% - 5.00%	2025	2,215,000
Dormitory, Series 2006B	4.00% - 5.00%	2026	5,010,000
Dormitory, Series 2007B	4.00% - 5.00%	2027	14,245,000
Dormitory, Series 2008B	3.00% - 5.00%	2028	37,425,000
Dormitory, Series 2009C	3.00% - 5.00%	2022	1,319,293
Dormitory, Series 2009D	2.50% - 4.50%	2022	1,625,000
Dormitory, Series 2009D	2.50% - 5.00%	2022	2,465,000
Total general obligation bonds			<u>66,225,650</u>

Description	Interest Rates	Maturity	2010
Revenue bonds:			
Classrooms, Series 2004B	3.00% - 5.00%	2017	4,435,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	565,000
Classrooms, Series 2007B	4.00% - 4.25%	2018	805,929
Recreation, Series 2000A	5.00% - 5.75%	2021	1,520,000
Recreation, Series 2001A	3.00% - 5.00%	2022	12,495,000
Recreation, Series 2004B	3.00% - 5.00%	2017	4,875,000
Recreation, Series 2004B	3.00% - 5.00%	2020	650,000
Recreation, Series 2007B	4.00% - 4.25%	2018	418,344
Recreation, Series 2007B	4.00% - 4.50%	2020	6,780,145
Parking, Series 2000A	5.00% - 5.75%	2021	865,000
Parking, Series 2001A	3.00% - 5.00%	2022	3,825,000
Parking, Series 2003A	2.00% - 5.00%	2024	1,530,000
Parking, Series 2004A	3.00% - 5.00%	2025	3,160,000
Parking, Series 2004B	3.00% - 5.00%	2017	2,275,000
Parking, Series 2004B	3.00% - 5.00%	2020	930,000
Parking, Series 2007A	4.50% - 5.00%	2028	7,980,000
Parking, Series 2007B	4.00% - 4.25%	2018	150,727
Parking, Series 2007B	4.00% - 4.50%	2020	2,574,855
Parking, Series 2009A	2.10% - 5.00%	2029	5,325,000
Athletic Fac. Exp., Series 2004A	3.00% - 5.00%	2025	1,880,000
Athletic Fac. Exp., Series 2005A	3.50% - 5.00%	2026	3,040,000
Athletic Fac. Exp., Series 2006A	3.00% - 5.00%	2027	885,000
Athletic Fac. Exp., Series 2007A	4.50% - 5.00%	2028	450,000
H&PE Renovation, Series 2004A	3.00% - 5.00%	2025	1,570,000
H&PE Renovation, Series 2005A	3.50% - 5.00%	2026	3,045,000
H&PE Renovation, Series 2007A	4.50% - 5.00%	2028	14,750,000
Indoor Tennis Court, Series 2004A	3.00% - 5.00%	2025	1,175,000
Indoor Tennis Court, Series 2005A	3.50% - 5.00%	2026	2,320,000
Indoor Tennis Court, Series 2006A	3.00% - 5.00%	2027	215,000
Indoor Tennis Court, Series 2007A	4.50% - 5.00%	2028	240,000
Dormitory, Series 2005A	3.50% - 5.00%	2026	19,660,000
Powhatan Sports Ctr, Series 2007A	4.50% - 5.00%	2028	6,080,000
Powhatan Sports Ctr, Series 2009A	2.10% - 5.00%	2029	27,040,000
Webb Center Expansion, Series 2009B	2.00% - 5.00%	2029	720,000
Total revenue bonds			144,230,000
Installment purchases	4.23%	2023	2,708,341
Capital leases	Various	2011-34	71,531,586
Total bond, notes, installment purchases, and leases			284,695,577
Amortize bond premium, general obligation bonds			3,136,287
Amortize bond premium, revenue bonds			4,529,451
Deferred loss on early retirement of debt			(726,028)
Total bond, notes, installment purchases, leases, bond premium, and deferred loss			\$ 291,635,287

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 12,980,687	\$ 12,641,434
2012	12,819,639	12,254,371
2013	13,455,925	11,608,539
2014	13,605,811	10,957,721
2015	14,150,492	10,317,170
2016-2020	77,627,148	41,199,569
2021-2025	77,549,131	23,188,327
2026-2030	50,530,932	7,242,742
2031-2035	11,975,812	814,752
Total	<u>\$ 284,695,577</u>	<u>\$ 130,224,625</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 owns the equipment from the date of purchase.

The Statement of Net Assets line “Due from the Commonwealth” includes \$3,297,399 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

In October 2009, the Commonwealth of Virginia issued \$332,480,000 in General Obligation Bonds, Series 2009BC&D, 2009E-1, and 2009E-2. The sale of these bonds enabled the University to advance refund \$1,415,000 of Series 2002A, \$1,625,000 of Series 2005A and \$2,465,000 of Series 2006B. The net proceeds of \$6,271,222 (after payment of underwriter’s fees and other issuance costs) were deposited in an irrevocable escrow account and will be used to pay interest, redemption premium and maturity value of the refunded bonds to their call date. This defeasance reduced total debt service payments over the next thirteen years by \$258,121 resulting in an economic gain of \$241,869 discounted at the rate of 2.8074 percent.

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, 2010, \$18,635,000 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2010, assets purchased under capital leases were included in depreciable capital assets in the amount of \$73,082,776. The assets are net of accumulated depreciation.

NOTE 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, and Fringe Benefits	Non-Personal Services/ Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	\$ 104,935,822	\$ 9,004,449	\$ -	\$ 3,600,950	\$ -	\$ 117,541,221
Research	3,916,796	1,971,603	-	221,645	-	6,110,044
Public service	309,672	70,926	-	13,562	-	394,160
Academic support	22,704,789	11,809,381	-	1,225,735	-	35,739,905
Student services	9,778,902	2,276,005	-	70,865	-	12,125,772
Institutional support	18,814,399	4,454,272	-	950,841	-	24,219,512
Operation and maintenance of plant	9,517,959	9,152,383	-	3,193,700	-	21,864,042
Depreciation expense	-	-	-	-	24,017,117	24,017,117
Scholarship and related expenses	-	-	17,055,761	-	-	17,055,761
Auxiliary activities	20,419,030	35,662,970	5,290,959	7,461,247	-	68,834,206
Total	\$ 190,397,369	\$ 74,401,989	\$ 22,346,720	\$ 16,738,545	\$ 24,017,117	\$ 327,901,740

NOTE 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 781:	
Educational and general programs	\$ 111,007,966
Student financial assistance/grants	16,156,293
Supplemental adjustments:	
Central fund appropriation transfers	(2,815,112)
Eminent scholars	155,298
Grants	1,714,863
E & G budget reversion	(19,965,675)
Adjusted appropriations	<u>\$ 106,253,633</u>

NOTE 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 Foundations, 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 Foundations	Old Dominion University Research Foundation	TOTAL
<u>Statement of Net Assets</u>				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,809,370	\$ 11,830,921	\$ 4,312,255	\$ 23,952,546
Accounts receivable	31,830	437,947	23,020,446	23,490,223
Contributions receivable, net	1,108,371	1,239,574	-	2,347,945
Travel advances	-	-	46,083	46,083
Prepaid expenses	18,187	21,848	766,965	807,000
Other assets	36,023	177,280	-	213,303
Total current assets	<u>9,003,781</u>	<u>13,707,570</u>	<u>28,145,749</u>	<u>50,857,100</u>
Noncurrent assets:				
Investments	14,015,006	134,844,913	3,327,059	152,186,978
Contributions receivable, net	2,215,469	1,638,688	-	3,854,157
Notes receivable	-	3,405,000	-	3,405,000
Unamortized bond issuance expense	-	281,482	-	281,482
Nondepreciable capital assets	-	22,199,348	54,802	22,254,150
Capital assets	83,413	52,940,576	3,918,632	56,942,621
Total noncurrent assets	<u>16,313,888</u>	<u>215,310,007</u>	<u>7,300,493</u>	<u>238,924,388</u>
Total assets	<u>25,317,669</u>	<u>229,017,577</u>	<u>35,446,242</u>	<u>289,781,488</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,126,934	706,250	9,922,761	11,755,945
Deferred revenue	-	-	6,884,817	6,884,817
Deposits held in custody for others	-	39,891	-	39,891
Agency related payables	-	9,886,643	-	9,886,643
Line of credit	-	797,208	-	797,208
Long-term liabilities – current portion	341,250	2,219,945	-	2,561,195
Total current liabilities	<u>1,468,184</u>	<u>13,649,937</u>	<u>16,807,578</u>	<u>31,925,699</u>
Noncurrent liabilities	62,740	87,413,051	-	87,475,791
Total liabilities	<u>1,530,924</u>	<u>101,062,988</u>	<u>16,807,578</u>	<u>119,401,490</u>
NET ASSETS				
Invested in capital assets, net of related debt	83,413	(10,660,108)	3,973,434	(6,603,261)
Permanently restricted	13,487,610	97,689,258	-	111,176,868
Temporarily restricted	6,504,874	33,967,999	13,103,550	53,576,423
Unrestricted	3,710,848	6,957,440	1,561,680	12,229,968
Total net assets	<u>\$ 23,786,745</u>	<u>\$ 127,954,589</u>	<u>\$ 18,638,664</u>	<u>\$ 170,379,998</u>

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
<u>Statement of Revenues, Expenses and Changes in Net Assets</u>				
Operating revenues:				
Gifts and contributions	\$ 3,184,245	\$ 2,600,467	\$ 200,332	\$ 5,985,044
Indirect cost	-	-	7,750,696	7,750,696
Sponsored research	-	-	33,915,710	33,915,710
Other operating revenues	560,979	8,241,150	2,567,878	11,370,007
Total operating revenue	<u>3,745,224</u>	<u>10,841,617</u>	<u>44,434,616</u>	<u>59,021,457</u>
Operating expenses:				
Instruction	-	1,905,471	-	1,905,471
Research	-	-	39,567,129	39,567,129
Academic support	2,090,594	4,104,860	-	6,195,454
Institutional support	1,229,696	(490,660)	4,478,384	5,217,420
Operation and maintenance of plant	-	73,690	-	73,690
Depreciation	58,342	2,893,139	-	2,951,481
Student aid	-	994,883	-	994,883
Total operating expenses	<u>3,378,632</u>	<u>9,481,383</u>	<u>44,045,513</u>	<u>56,905,528</u>
Operating gain/(loss)	<u>366,592</u>	<u>1,360,234</u>	<u>389,103</u>	<u>2,115,929</u>
Investment income	1,582,432	15,994,773	409,520	17,986,725
Contributions to permanent endowments	<u>145,026</u>	<u>1,122,069</u>	<u>-</u>	<u>1,267,095</u>
Increase in net assets	2,094,050	18,477,076	798,623	21,369,749
Beginning net assets	21,692,695	109,477,513	17,840,041	149,010,249
Ending net assets	<u>\$ 23,786,745</u>	<u>\$ 127,954,589</u>	<u>\$ 18,638,664</u>	<u>\$ 170,379,998</u>

Contributions Receivable

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	TOTAL
<u>Current Receivable</u>			
Receivable due in less than one year	\$ 1,200,271	\$ 1,362,060	\$ 2,562,331
Less allowance for doubtful accounts	<u>91,900</u>	<u>122,486</u>	<u>214,386</u>
Net current accounts receivable	<u>1,108,371</u>	<u>1,239,574</u>	<u>2,347,945</u>
Receivable due in greater than 1 year, net of discount (\$417,210)	2,247,863	1,776,169	4,024,032
Less allowance for doubtful accounts	<u>32,394</u>	<u>137,481</u>	<u>169,875</u>
Net noncurrent contributions receivable	<u>2,215,469</u>	<u>1,638,688</u>	<u>3,854,157</u>
Total contributions receivable	<u>\$ 3,323,840</u>	<u>\$ 2,878,262</u>	<u>\$ 6,202,102</u>

Investments

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

Summary Schedule of Investments

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
U.S. treasury and agency securities	\$ 1,333,652	\$ 11,310,792	\$ 2,946,262	\$ 15,590,706
Common & preferred stocks	1,133,142	9,942,160	902	11,076,204
Mutual and money market funds	5,633,784	53,562,307	379,895	59,575,986
Real estate	-	259,000	-	259,000
Alternative investments	5,914,428	49,884,011	-	55,798,439
Managed investments	-	9,886,643	-	9,886,643
Total	<u>\$ 14,015,006</u>	<u>\$ 134,844,913</u>	<u>\$ 3,327,059</u>	<u>\$ 152,186,978</u>

Capital Assets

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
Nondepreciable capital assets:				
Land	\$ -	\$ 20,643,854	\$ 54,802	\$ 20,698,656
Construction in progress	-	1,555,494	-	1,555,494
Total capital assets not being depreciated	<u>-</u>	<u>22,199,348</u>	<u>54,802</u>	<u>22,254,150</u>
Depreciable capital assets:				
Buildings	-	64,058,367	1,019,133	65,077,500
Equipment	433,178	3,554,123	15,905,482	19,892,783
Total capital assets being depreciated	<u>433,178</u>	<u>67,612,490</u>	<u>16,924,615</u>	<u>84,970,283</u>
Less accumulated depreciation for:				
Buildings	-	12,022,832	776,463	12,799,295
Equipment	349,765	2,649,082	12,229,520	15,228,367
Total accumulated depreciation	<u>349,765</u>	<u>14,671,914</u>	<u>13,005,983</u>	<u>28,027,662</u>
Total depreciable capital assets, net	<u>83,413</u>	<u>52,940,576</u>	<u>3,918,632</u>	<u>56,942,621</u>
Total capital assets, net	<u>\$ 83,413</u>	<u>\$ 75,139,924</u>	<u>\$ 3,973,434</u>	<u>\$ 79,196,771</u>

Long-Term Liabilities

Old Dominion University Intercollegiate Foundation

Trust and annuity obligations \$ 403,990

Old Dominion University Educational and Real Estate Foundations

Description	Interest Rates	Maturity	2009
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	3.58%	2033	\$ 52,650,000
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	4.475%	2031	<u>12,455,000</u>
Total bonds payable			<u>65,105,000</u>
Notes payable			
ODU Inn	6.597%	2011	2,831,406
University Village Apartments	5.60%	2010	1,330,000
Parking Garage - 45 th Street	6.20%	2010	515,000
Tri-Cities II	3.65%	2014	4,395,600
Bookstore	5.585%	2023	<u>5,317,263</u>
Total notes payable			<u>14,389,269</u>
Other long-term liabilities			<u>10,138,727</u>
Total long-term debt			<u>89,632,996</u>
Total component unit long-term liabilities			<u><u>\$ 90,036,986</u></u>

Long-term debt maturities are as follows for bonds payable and notes payable:

2010	\$ 2,147,930
2011	4,562,023
2012	1,959,554
2013	2,047,398
2014	2,135,743
Thereafter	<u>66,641,621</u>
Total	<u><u>\$ 79,494,269</u></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, 2010, the University will repay \$71,418,632. 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 and Real Estate Foundations, Old Dominion University Intercollegiate Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2010 totaled \$8,501,176, \$2,272,811, and \$2,566,615 respectively. This includes gift transfer, payments for facilities, and services.

Component Unit Subsequent Event

In April 2010, the Intercollegiate Foundation made disbursements to members of the athletic staff under existing deferred compensation arrangements in which all conditions of the mutual agreement have been met. The amount of the deferred compensation paid was approximately \$455,000.

In 2010, the Intercollegiate Foundation entered into an agreement with a University Athletic Official to provide deferred compensation over 4 years. In addition, the Foundation amended the terms of an existing deferred compensation agreement in 2010.

In February 2010, the Real Estate Foundation secured a line of credit in the amount of \$3,000,000 for the purpose of purchasing additional properties for future projects. The interest rate is 1-month LIBOR plus 1.75%.

NOTE 13: COMMITMENTS

At June 30, 2010, the University was a party to construction and other contracts totaling approximately \$51,757,557 of which \$33,343,972 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 \$5,542,857 for the year ended June 30, 2010.

The University has, as of June 30, 2010, the following future minimum rental payments due under the above leases:

Year Ending June 30	Operating Lease Obligation
2011	\$ 4,790,605
2012	4,846,694
2013	4,898,093
2014	4,866,900
2015	4,865,819
2016-2020	22,437,320
2021-2025	11,701,281
Total	<u>\$ 58,406,712</u>

NOTE 14: RETIREMENT PLANS

A. Virginia Retirement System

Employees of the University are employees of the Commonwealth of Virginia. Substantially, all full-time classified salaried employees of the University participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system 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, 2010. 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 \$6,513,796 for the year ended June 30, 2010. The retirement contribution rate was 11.26% for state employees and 19.23% for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2010. Contributions to VRS were calculated using the base salary amount of approximately \$50,678,904 for the year ended June 30, 2010. The University's total payroll was approximately \$155,286,326 for the fiscal year ended June 30, 2010.

B. Optional Retirement Plan

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

Individual contracts issued under the plans provide for full immediate vesting of both the University's and employee's contributions. Total pension costs under these plans were approximately \$5,859,672 for the year ended June 30, 2010. Contributions to the optional retirement plans were calculated using the base salary amount of approximately \$56,343,002 for fiscal year 2010.

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 dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$529,638 for fiscal year 2010.

NOTE 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 plans is available at the statewide level in the Commonwealth's *Comprehensive Annual Financial Report*.

NOTE 16: 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, 2010, the University estimates that no material liabilities will result from such audits or questions.

NOTE 17: 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*.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

March 14, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
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, 2010, 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 aggregate discretely presented component units of Old Dominion University as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 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 14, 2011, 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.


AUDITOR OF PUBLIC ACCOUNTS

JHS/clj

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Norfolk, Virginia

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