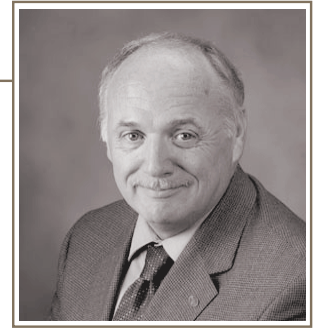


VIRGINIA TECH

the 2006-07

FINANCIAL
REPORT

Message from the Executive Vice President and Chief Operating Officer



Vision for the Future

The 2005 Virginia General Assembly enacted the *Restructured Higher Education Financial and Administrative Operations Act of 2005* (Restructuring Act). This act provided restructuring benefits and responsibilities for all Virginia institutions of higher education. For Virginia Tech, the act also provided the opportunity to apply for additional “level 3” authority and responsibilities. In November 2005, the Virginia Tech Board of Visitors approved a resolution adopting Virginia Tech’s management agreement and related operational policies and performance measures, in accordance with the restructuring act and as approved by the governor’s office. The 2006 General Assembly converted the management agreement into a Section One Bill, which was subsequently passed by the general assembly and signed by the governor.

With the approval of the management agreement legislation, effective July 1, 2006, the university was granted the authority to operate as a covered institution in accordance with its management agreement and operational policies for a period of four years. The management agreement provides the university greater autonomy in the areas of capital outlay, leasing, procurement, information technology, finance, and human resources.

Accountability is an important part of the restructuring act, and all institutions of higher education have a common set of performance measures to achieve. Education-related, financial, and administrative management measures are the basis on which the State Council of Higher Education for Virginia (SCHEV) annually assesses and certifies institutional performance related to level 1 restructuring benefits and requirements. In May 2007, SCHEV certified that all institutions, including Virginia Tech, had successfully met all educational measures for the first year. This approval included all of the administrative and financial measures, including the prior management standards, which have been in place for many years. In addition, the level 3 universities also have institutional performance measures created through the application for covered institution status. The university established a process to track compliance with these additional measures, and is in compliance with all of the measures.

The restructuring act provides the university the opportunity to modify existing accounting policies and procedures to establish a more efficient, tailored accounting environment. The 2006-07 fiscal year represented a year of transition for the restructuring finance team. Finance team members from the University of Virginia, the College of William and Mary, and Virginia Tech had numerous meetings and teleconferences with managers of various state agencies such as the Department of Accounts, Department of Planning and Budget, SCHEV, the Treasury, the Secretary of Finance, and the General Assembly staff. These meetings resulted in the establishment of new processes in order to implement the July 1, 2007 phase of finance policy implementation.

In order to implement processes for the management and investment of nongeneral fund resources, the Office of Investments and Debt Management completed two Requests for Proposals and identified two investment managers and one custodian to assist the university in investing its cash balances effective July 2, 2007. The university also completed an agreement with the Department of Treasury authorizing the university to manage system-related funds in house. Virginia Tech has completed contracts for investment management services, and cash balances have been invested.

The restructuring act required the university to commit to provide need-based grant aid for middle- and lower-income Virginia students. The university illustrated its commitment to keeping education affordable and developed the Funds for the Future program that was implemented during the fiscal year. Similarly, to be competitive in the recruitment and retention of high quality graduate students, it is important for the university to provide compensation packages that are comparable with those offered by our peer institutions. The key components of the compensation packages are competitive stipends, tuition assistance, and health insurance. To enhance the university’s competitiveness in recruiting highly qualified graduate students, the board of visitors authorized an increase in coverage of the annual premium for insurance obtained through the university from 70 percent in fiscal year 2005-06 to 75 percent in fiscal year 2006-07. In addition, an increase of 3 percent in the stipend scale was approved.

Enhancement of Business Practices, Policies, and Controls

During the 2006-07 fiscal year, the university completed a phased conversion of all Virginia Tech departments and units (including those off campus) from a paper-based procurement system to the electronic procurement system called HokieMart. Training and assistance was provided to at least one college and major administrative unit each month. As a result, training was provided for over 4,000 staff, faculty, and graduate students who use the system. By the time full conversion was achieved in July 2007, the system had been used by almost 300 organizational units. This significantly increased monthly transaction volume.

To further enhance and strengthen the university’s business practices and internal controls, the university implemented the Financial and Business Management Compliance program, which is an annual certification process for department heads, directors, and other university and college administrators. The purpose of this program is to provide department level certification regarding compliance with key internal controls and business practices through a self-assessment questionnaire. This survey tool was designed to identify areas that have implemented adequate controls, as well as highlight areas where changes in operating practices can improve the university’s overall internal control structure. The pilot test of the survey was completed by 29 university organizations across 13 senior management areas. The overall results of the survey are very encouraging. Of the 382 departments or organizations surveyed, 94.5% of the self-assessments were in the top two rating categories (Effective and Adequate).

In November 2006, the Auditor of Public Accounts (APA) completed a statewide review of debt policies at all institutions of higher education. The APA report recommended that institutions expand their debt policies to include business management decisions as they relate to debt issues. To address the suggestions made by the APA, the university updated and expanded the university debt policy. This expanded debt policy reflects the university’s practices concerning the university’s strategic direction, operating and maintenance costs, cost of attendance impact, repayment risk mitigation, and alternative financing proposal evaluation. For the 2006-07 fiscal year, the university maintained

a debt ratio of 3.9 percent and is currently rated Aa3 by Moody's and AA by Standard and Poor's.

Future Infrastructure Investment

In order to support the learning, engagement, and discovery missions of the university, there must be adequate infrastructure for facilities and administrative operations. With the approval of the restructuring act, the university also gained greater authority in the area of capital outlay that will benefit all current capital projects. Under the restructuring authority, the board of visitors has the authority to approve the budget, size, scope and funding for new nongeneral fund capital outlay projects outside the state's project authorization schedule. For the 2006-07 fiscal year, the university initiated eight capital projects under this new project authorization authority. During the last year, the board authorized the planning for several new capital outlay projects, including an academic and student affairs building, an integrated sciences facility, a new basketball facility, and an addition to the Virginia Bioinformatics Institute facility.

The board used its restructuring authority to establish a \$2.7 million planning authorization for the design of a five-story academic and student affairs building of 91,200 gross square feet. The proposed project is estimated at \$42.3 million and includes instructional, dining, and student union space on the north end of campus and meets the changing needs of the upper quad area.

The university's goals for rapid and significant growth of its research programs are partially dependent upon the ability to identify and establish sufficient research space. Pursuant to these needs, the board authorized capital lease agreements with Virginia Tech Foundation Inc. for a 77,000 gross-square-foot integrated sciences facility. The additional space will advance research opportunities in the areas of infections, disease, and obesity and primarily support the Colleges of Science, Agriculture and Life Sciences, Natural Resources, and Veterinary Medicine in the expansion of funding opportunities.

As a member of the Atlantic Coast Conference, Virginia Tech competes among the highest level of basketball competition in the NCAA. The university is in the process of enhancing its men's and women's basketball programs in response to this increased level of competition. Proper facilities are a critical element for a successful program; therefore, the board of visitors authorized the planning for a proposed \$20 million dollar basketball practice facility. The proposed facility is envisioned as a 59,000 gross-square-foot building including two practice courts, men's and women's locker rooms, and a training room for each team.

The board of visitors authorized \$2.4 million in planning for the design of a proposed \$29.6 million addition to the Virginia Bioinformatics Institute (VBI) facility on campus to accommodate the projected growth of the Network Dynamics and Simulation Science Laboratory (NDSSL) and other large VBI research groups. The VBI addition will comprise approximately 50,000 square feet.

Subsequent to June 30, 2007, the board also used its restructuring authority to establish a \$1.6 million planning authorization for the design of a new public safety building that will house police, rescue, and emergency management programs under one roof. The proposed project, estimated at \$20 million, is envisioned as a 35,000 gross-square-foot, two-story building with necessary accommodations for personnel, storage, training, vehicles, and a command center.

In accordance with the state budget cycle, the university prepared and submitted the 2008-2014 Capital Outlay Plan. Projects listed in the six-year plan total \$1.6 billion. The total cost of projects included in the 2008-2010 biennium is \$493.5 million.

Research Collaborations and New Initiatives

The university's research initiative was a critical funding priority for the 2006-2008 biennium. Virginia Tech received \$7.5 million in operating funding from the Commonwealth Research Initiative (CRI) for fiscal years 2006-07 and 2007-08, along with a one-time allocation of \$11.5 million for research equipment in 2006-07. Because of the importance of the CRI funding, the university is working with the governor and legislature to make this funding permanent in the 2008-10 biennium. The CRI will continue to provide general fund support for biomedical research, biomaterials engineering, and nanotechnology initiatives. The goal of the university's research initiative is to significantly increase its overall research activities, and the CRI funding promises to help achieve this goal. Externally sponsored research is one of the most important elements of the university's research program, and the university anticipates \$12.1 million of growth over 2006-07 due to projected increases in research activities.

In January 2007, the university, the Carilion Biomedical Institute and the Carilion Health System agreed to jointly develop a research program in the areas of human health, nutrition and obesity which will be known as the VT Riverside Project. The goal of the VT Riverside Project will be to develop a world-class externally funded research program. The university is working to further develop this partnership so that staff can occupy new state-of-the-art laboratory and office space in the Riverside Center in Roanoke, Virginia to take advantage of the excellent opportunities for collaboration with the Carilion Health System and the local medical community. This collaboration, as well as the financial and operational initiatives started this year will enhance support to the learning, discovery, and engagement missions of the university as we strive to invent the future.



James A. Hyatt
Executive Vice President and Chief Operating Officer

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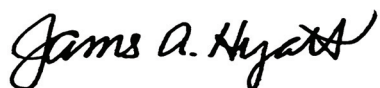
Management's Responsibility for Financial Reporting and Internal Controls

The information in this *Annual Financial Report*, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia Tech executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the university. Management believes the information is accurate in all material respects and fairly presents the university's revenues, expenses, and changes in net assets as well as its overall financial position. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The *Annual Financial Report* includes all disclosures necessary for the reader of this report to gain a broad understanding of the university's operations for the year ended June 30, 2007.

The administration is responsible for establishing and maintaining the university's system of internal controls. Key elements of the university's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well-communicated written policies and procedures; annual self-assessments led by the Office of the University Controller; a growing management services segment; and an extensive internal audit function. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the university's system provides reasonable, but not absolute, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Finance and Audit Committee of the board of visitors reviews and monitors the university's financial reporting and accounting practices. The committee meets with external independent auditors annually to review the *Annual Financial Report* and results of audit examinations. The committee also meets with internal auditors and university financial officers at least quarterly. These meetings include a review of the scope, quality, and results of the internal audit program, and a review of issues related to internal controls and quality of financial reporting.

The Auditor of Public Accounts (APA), the Commonwealth of Virginia's auditors, have examined these annual financial statements and their report thereon appears on the facing page. Their examination includes a study and evaluation of the university's system of internal controls, financial systems, policies, and procedures, resulting in the issuance of a management letter describing various issues they consider worthy of management's attention. The university has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2007.



James A. Hyatt
Executive Vice President and Chief Operating Officer

Independent Auditor's Report on Financial Statements

November 1, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

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

The Board of Visitors
Virginia Polytechnic Institute and State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Virginia Polytechnic Institute and State University, a component unit of the Commonwealth of Virginia, as of and for the year then ended June 30, 2007, which collectively comprise the University's basic financial statements as shown on pages 14 through 17. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University is based on the reports of the other auditors.

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

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

The management's discussion and analysis on pages 6 through 13 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the University. The affiliated corporations' financial highlights, consolidating schedules and the statistical section are presented for the purpose of additional analysis and are not a required part of the financial statements. The affiliated corporations financial highlights on pages 39 and 42, consolidating schedules on pages 40 and 41, and the statistical section on pages 43 through 55 have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007, on our consideration of Virginia Polytechnic Institute and State 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, 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.

Sincerely,



Walter J. Kucharski
Auditor of Public Accounts

Management's Discussion and Analysis

Virginia Polytechnic Institute and State University, popularly known as Virginia Tech, is a comprehensive, land-grant university located in Blacksburg, Virginia. The university offers 188 graduate, undergraduate, and professional degree programs through its eight academic colleges (Agriculture and Life Sciences, Architecture and Urban Studies, Pamplin College of Business, Engineering, Science, Liberal Arts and Human Sciences, Natural Resources, and the Virginia-Maryland Regional College of Veterinary Medicine). The university serves 28,470 students and employs 2,125 full-time teaching and research faculty members.

Virginia Tech has evolved into a position of increasing national prominence since its founding in 1872, consistently ranking among the nation's top universities for undergraduate and graduate programs. The university also ranks among the top 54 institutions in the United States in annual research expenditures as reported by the National Science Foundation.

The university is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The 14 members of the Virginia Tech Board of Visitors govern university operations. Members of the board are appointed by the Governor of Virginia.

OVERVIEW

This unaudited *Management's Discussion and Analysis* (MD&A) is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provide 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 are included for the fiscal year ended June 30, 2006. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements (including notes), and other supplementary information. The university's management is responsible for all of the financial information presented, including this discussion and analysis.

The university's financial statements have been prepared in accordance with GASB Statement Number 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, as amended by GASB Statement Numbers 37 and 38. The three required financial statements are the *Statement of Net Assets* (balance sheet), the *Statement of Revenues, Expenses, and Changes in Net Assets* (operating statement), and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sections. Combining schedules are included in the supplementary information. These schedules indicate how major fund groups were aggregated to arrive at the single column totals.

Using criteria provided in GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement Number 14, the university's

six affiliated corporations were evaluated on the nature and significance of their relationship to the university. The Virginia Tech Foundation Inc. (VTF or 'the foundation') and Virginia Tech Services Inc. were determined to be component units and are presented in a separate column on the university's financial statements. Additional detail on the foundation's activities can be found in Note 25 of the *Notes to the Financial Statements*. However, transactions between the university and these component units have not been eliminated in this year's financial statements.

STATEMENT OF NET ASSETS

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

The data presented aids readers in determining the assets available to continue the operations of the university. It also allows readers to determine how much the university owes to vendors, investors, and lending institutions. Finally, the SNA provides a picture of net assets and their availability for expenditure by the university. Sustained increases in net assets over time are one indicator of the financial health of the organization.

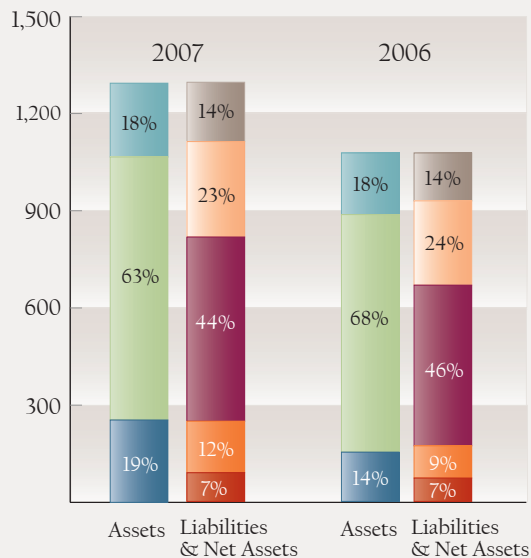
The university's net assets are classified as follows:

- Invested in capital assets — Invested in capital assets, net of related debt, represent the university's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of invested in capital assets, net of related debt.
- Restricted net assets, expendable — Expendable restricted net assets include resources the university is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties. These assets partially consist of quasi-endowments totaling \$47.8 million. The quasi-endowments are managed by the Virginia Tech Foundation Inc.
- Restricted net assets, nonexpendable — Nonexpendable restricted net assets consist of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal. The university's nonexpendable endowments of \$0.4 million are included in its column on the SNA.
- Unrestricted net assets — Unrestricted net assets represent resources used for transactions relating to academic departments and general operations of the university, and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose in support of its primary missions of instruction, research, and outreach or public service. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for

Summary of Assets, Liabilities and Net Assets

For the years ended June 30, 2007 and 2006
(all dollars in millions)

	2007	2006 (as restated)	Increase	
			Amount	Percent
Assets				
Current assets	\$ 228.2	\$ 190.7	\$ 37.5	19.7%
Capital assets, net	815.3	735.0	80.3	10.9%
Other assets	253.2	152.4	100.8	66.1%
Total assets	1,296.7	1,078.1	218.6	20.3%
Liabilities				
Current liabilities	183.4	148.2	35.2	23.8%
Noncurrent liabilities	295.4	260.9	34.5	13.2%
Total liabilities	478.8	409.1	69.7	17.0%
Net Assets				
Invested in capital, net	569.7	496.8	72.9	14.7%
Restricted	159.4	99.9	59.5	59.6%
Unrestricted	88.8	72.3	16.5	22.8%
Total net assets	\$ 817.9	\$ 669.0	\$ 148.9	22.3%



students, faculty, and staff. Some examples of the university's auxiliaries are intercollegiate athletics and student residential and dining programs.

Total university assets increased by \$218.6 million or 20.3% during fiscal year 2007, bringing the total to \$1,296.7 million at year-end. The majority of the growth was directly related to a net increase of \$100.8 million in other assets and a \$80.3 million net growth in capital assets. The rise in other assets is most evident in the cash and cash equivalents category. Noncurrent cash and cash equivalents grew by over \$103.8 million, mainly due to growth in capital appropriations, unspent bond proceeds for capital projects, and an increase in auxiliary system funds from operations. Major projects with residual capital appropriations included in the noncurrent cash and cash equivalents category consisted of the following: Campus Heat Plant (\$15.5 million), Institute for Critical Technologies and Applied Sciences (ICTAS - II, \$13.4 million), ICTAS - I (\$7.0 million), Life Sciences I (\$3.9 million), Infectious Disease Facility (\$3.1 million), and capital renovation projects totaling \$13.0 million (Cowgill Hall, Henderson Hall, Litton Reaves Hall, classroom improvement projects, and maintenance reserve projects). Unspent bond proceeds from various projects such as a new engineering facility (\$13.9 million), a new residence hall (\$13.7 million), improvements to residence and dining halls (\$6.3 million), the Surge Space building (\$2.4 million) and the Boiler Pollution Controls project (\$0.5 million) also contributed to the increase. The remaining amount represents increases to balances in the auxiliary system funds. The \$80.3 million increase in capital assets is primarily due to net additions in the

building, equipment and construction in progress categories as further explained in the Capital Asset and Debt Administration section.

Total university liabilities increased by \$69.7 million or 17.0% during fiscal year 2007. The majority of the growth in liabilities is a combination of increases in the current accounts payable and accrued liabilities category (\$27.5 million) and the noncurrent portion of long-term debt payable (\$30.4 million). The increase in the accounts payable and accrued liabilities category can be attributed to the accrual of the July 1, 2007 payroll. In the previous fiscal year the first payroll normally paid in July was expensed in June by the direction of an executive order from the governor.

The growth in the noncurrent portion of long-term debt payable reflects the addition of new debt in support of several large debt-funded capital projects such as ICTAS - I, a new residence hall, the new Surge Space building, renovation of Ambler Johnston Hall and Boiler Pollution Controls upgrades to the steam plant.

Total assets grew by a greater margin than total liabilities, with the university's net assets increasing by \$148.9 million. Invested in capital assets, net of related debt, accounted for \$72.9 million of the increase in this fiscal year. Restricted net assets increased by \$59.5 million, reflecting funds available but not yet spent on major capital projects discussed in the following section.

CAPITAL ASSET AND DEBT ADMINISTRATION

One of the critical factors in ensuring the quality of the university's academic, research, and residential life functions is the development and renewal of its capital assets. The university

Funding for Authorized Current and Future Capital Projects

As of June 30, 2007
(all dollars in millions)

	State Funds (1)	Other Funds (2)	University Debt Issued Before June 30, 2007	University Debt To Be Issued After June 30, 2007	Total Funding	Cash Basis Project-To-Date Expenses
Current education and general	\$ 113.1	\$ 22.8	\$ 36.3	\$ 11.5	\$ 183.7	\$ 81.9
Current auxiliary enterprise	-	10.6	77.4	18.8	106.8	56.4
Total current	<u>113.1</u>	<u>33.4</u>	<u>113.7</u>	<u>30.3</u>	<u>290.5</u>	<u>138.3</u>
Future education and general	27.6	11.2	-	84.9	123.7	1.3
Future auxiliary enterprise	-	1.8	14.0	39.5	55.3	-
Total future	<u>27.6</u>	<u>13.0</u>	<u>14.0</u>	<u>124.4</u>	<u>179.0</u>	<u>1.3</u>
Total authorized	<u>\$ 140.7</u>	<u>\$ 46.4</u>	<u>\$ 127.7</u>	<u>\$ 154.7</u>	<u>\$ 469.5</u>	<u>\$ 139.6</u>

(1) Includes the general fund, capital appropriations and the general obligation bonds of the Commonwealth of Virginia.

(2) Includes private gifts, auxiliary surpluses, student fees, and other customer revenues.

continues to maintain and upgrade current structures as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serves to enrich high-quality instructional programs, residential lifestyles, and research activities.

Note 7 in the *Notes to Financial Statements* describes the university's significant investment in depreciable capital assets with gross additions of nearly \$86.2 million during fiscal year 2007. The completion of the Surge Space building (\$6.4 million), the Boiler Pollution Controls project (\$5.4 million) and the Graduate Life Center (\$3.3 million) were the primary components of building additions totaling \$34.8 million during fiscal year 2007. Ongoing investments in instructional, research, and computer equipment totaled \$42.4 million. Depreciation expense was \$52.8 million with net retirements of \$1.8 million. The net increase in depreciable capital assets for this period was \$31.6 million. The largest increase in nondepreciable capital assets was in the construction in progress category. This was due to the continuing work on the Life Sciences I (\$20.3 million) and ICTAS - I (\$15.3 million) buildings.

Noncurrent liabilities increased by \$34.5 million during fiscal year 2007. The largest increase in noncurrent liabilities was in the long-term debt category (\$30.3 million). The additions to noncurrent long-term debt were primarily due to debt issued for six new projects totaling \$46.9 million: the ICTAS - I facility (\$16.1 million), a new residence hall (\$13.1 million), the new Surge Space building (\$7.0 million), the Ambler Johnston Hall renovation (\$6.0 million), the Boiler Pollution Controls project (\$1.9 million), and the new Smithfield parking lot (\$0.7 million). These additions were offset by the normal reclassification of long-term debt to be retired in the next fiscal year, from the noncurrent liabilities category to the current liabilities category (\$17.9 million). See Notes 11, 12, and 13 in the *Notes to Financial Statements* for more details.

For capital projects in progress, commitments to construction contractors, architects, and engineers totaled \$38.6 million at June 30, 2007. These obligations are for future effort and as

such have not been accrued as expenses or liabilities on the university's financial statements. Two projects constituted the majority of the financial commitment: the ICTAS - I facility (\$12.9 million), and the Campus Heat Plant project (\$9.5 million).

These commitments represent only a portion of the university's capital projects currently under construction or authorized by the commonwealth.

The educational and general (E&G) portion of the university's capital outlay program represents 14 projects currently in various stages of completion. The estimated total project costs for two of the larger projects are \$45.0 million for the ICTAS - I facility and \$40.0 million for the Life Sciences I building. In addition to the capital projects underway, there are several approved new construction and renovation projects for instructional and research facilities. The larger of these approved projects are the Cowgill Hall HVAC renovation, the Campus Heat Plant expansion and the ICTAS - II facility. The Commonwealth of Virginia will provide the major funding for several of these E&G projects.

The voter-approved Virginia Higher Education Bond Referendum provides \$900.0 million of debt financing for capital projects to create quality educational facilities for the commonwealth's universities and colleges. Virginia Tech will receive a total of \$95.3 million from these bond proceeds to provide partial funding for ten capital projects, however these bonds are the obligation of the Commonwealth of Virginia, not the university. During fiscal year 2007, the university received \$40.7 million of these bond proceeds from the commonwealth. The university plans to provide additional funding for these and other projects by issuing \$84.9 million of long-term debt.

The university's auxiliary enterprises have approval for five capital projects. These future capital projects include a new residence hall, a basketball practice facility, and a building for recreational, counseling, and clinical space. Since auxiliaries are required to be self-supporting, no state funds or capital appropriations are provided for these projects. The projects have been or will be funded from a combination of private gifts, student fees, other customer revenues, and debt financing.

Virginia Tech had authorization for \$469.5 million in capital building projects at June 30, 2007, requiring approximately \$154.7 million in additional debt financing.

The university's bond ratings of Aa3 and AA from Moody's and Standard & Poor's, respectively, reflect strong student demand, balanced operating performance, and adequate reserves to address unforeseen expenses.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating and non-operating activities creating changes in the university's total net assets are presented in the *Statement of Revenues, Expenses, and Changes in Net Assets*, found on page 15. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Generally, operating revenues are received through providing goods and services to the various customers and constituencies of the university. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the missions of the university. Salaries and fringe benefits for faculty and staff are the largest type of operating expense. Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts, included in this category, provide substantial support for paying operating expenses of the university. Therefore, the university, like most public institutions, will expect to show an operating loss.

Operating Revenues

Total operating revenues increased by \$52.1 million or 9.6% over the prior fiscal year. The growth in student tuition and fee revenue was \$13.1 million or 6.1% over the prior year. This increase was expected, given the rise in both in-state and out-of-state tuition rates effective for the Fall 2006 semester. Grants and contracts revenue grew by \$13.8 million or 7.6% over the prior year. The increases were primarily from the research areas managed by the Virginia Bioinformatics Institute, Virginia Tech Transportation Institute, the Center for Advanced Separation Technology, and programs conducted in collaboration with the Institute for Advanced Learning and Research. Auxiliary enterprise revenue also grew by \$21.5 million, due primarily to athletic ticket sales and increased Atlantic Coast Conference income. Overall, the university's operating revenue increased to \$595.9 million in FY2007, compared with \$543.8 million in FY2006.

Non-operating and Other Revenues

Non-operating revenue increased by over \$29.1 million from the previous year's total. The majority of the increase was from additional state appropriations of \$22.2 million. State appropriation revenue grew as a result of continuing legislative efforts to partially restore prior years' funding reductions, support the increased cost of salaries and fringe benefits, and provide funds to support new research efforts in the areas of bioengineering, biomaterials and nanotechnology (Commonwealth Research Initiative). The increase in state appropriations revenue and gift and investment income, net of interest expense, resulted in net non-operating revenues of \$313.8 million.

Revenues by Source

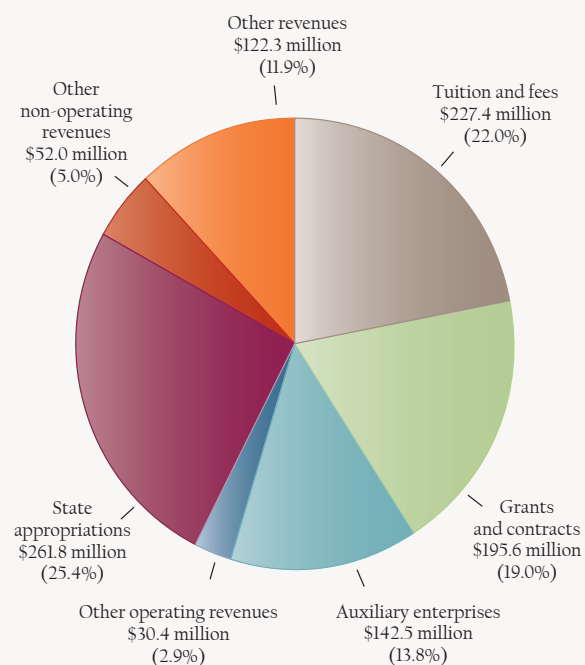
Increase in Revenues

For the years ended June 30, 2007 and 2006
(all dollars in millions)

	2007		2006		Increase	
			(as restated)		Amount	Percent
Operating revenues						
Tuition and fees, net	\$	227.4	\$	214.3	\$ 13.1	6.1%
Grants and contracts		195.6		181.8	13.8	7.6%
Auxiliary enterprises		142.5		121.0	21.5	17.8%
Other operating revenues		30.4		26.7	3.7	13.9%
Total operating revenues		595.9		543.8	52.1	9.6%
Non-operating revenues						
State appropriations		261.8		239.6	22.2	9.3%
Other non-operating revenues *		52.0		45.1	6.9	15.3%
Total non-operating revenues		313.8		284.7	29.1	10.2%
Other revenues						
Capital appropriations		56.0		8.3	47.7	574.7%
Capital grants and gifts		67.5		19.3	48.2	249.7%
Gain (loss) on sale of capital assets		(1.2)		(1.5)	0.3	20.0%
Total other revenues		122.3		26.1	96.2	368.6%
Total revenues	\$	1,032.0	\$	854.6	\$ 177.4	20.8%

* Includes gifts, investment income, interest expense on debt related to capital assets and other non-operating revenues.

For the year ended June 30, 2007
(all dollars in millions)



Total other revenue, expenses, gains and losses increased by \$96.2 million as a result of an increase in capital appropriations and increases in capital grants and gifts. During fiscal year 2007, the university received \$40.7 million in funding from the voter-approved Virginia Higher Education Bond Referendum which was primarily used for the Life Sciences I and ICTAS - I projects. An additional \$1.5 million in funding from the 21st Century College Program was used for the Boiler Pollution Controls project. These programs allow the commonwealth to issue debt and distribute the proceeds to institutions of higher education to finance specified capital projects. This financing is the debt of the commonwealth, not the university, with the proceeds recognized in the capital grants and gifts category.

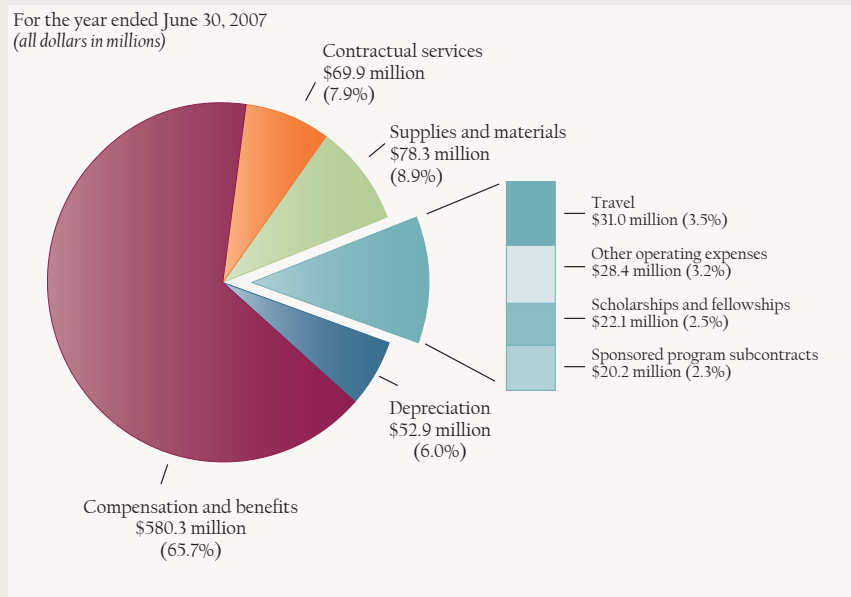
As shown in the chart on the previous page, revenues from all sources (operating, non-operating, and other) for fiscal year 2007 totaled \$1,032.0 million, and grew by \$177.4 million over the previous year. Similarly, operating expenses (shown in the chart below) totaled approximately \$883.1 million for fiscal year 2007 and grew by \$67.9 million. The growth in total

revenues and expenses resulted in an increase in net assets of \$148.9 million for fiscal year 2007. The majority of the net revenue increase, \$95.9 million, occurs in the capital appropriation and capital grants and gifts categories. These increases represent unspent capital appropriations and bond proceeds for the major capital projects described in the previous section, Capital Asset and Debt Administration.

Total Expenses

The university is committed to recruiting and retaining outstanding faculty and staff. The personnel compensation package is one way to successfully compete with peer institutions and nonacademic employers. The natural expense category, compensation and benefits, comprises \$580.3 million or 65.7% of the university's total operating expenses. This category increased by \$45.1 million (8.4%) over the previous year. The commonwealth provides merit based and across-the-board salary increases on a periodic basis. During fiscal year 2007, a 4.0% increase was provided to classified staff and an average increase of 5.9% was given to faculty members. A significant component of the increase in this category was fringe benefit

Operating Expenses by Natural Classification



Increase in Operating Expenses by Natural Classification

For the years ended June 30, 2007 and 2006
(all dollars in millions)

	2007	2006	Increase	
			Amount	Percent
Compensation and benefits	\$ 580.3	\$ 535.2	\$ 45.1	8.4%
Contractual services	69.9	65.6	4.3	6.6%
Supplies and materials	78.3	75.9	2.4	3.2%
Travel	31.0	27.4	3.6	13.1%
Other operating expenses	28.4	22.1	6.3	28.5%
Scholarships and fellowships*	22.1	20.5	1.6	7.8%
Sponsored program subcontracts	20.2	18.1	2.1	11.6%
Depreciation and amortization	52.9	50.4	2.5	5.0%
Total operating expenses	\$ 883.1	\$ 815.2	\$ 67.9	8.3%

* Includes research grant and contract fellowships, see Note 24 in the Notes to Financial Statements.

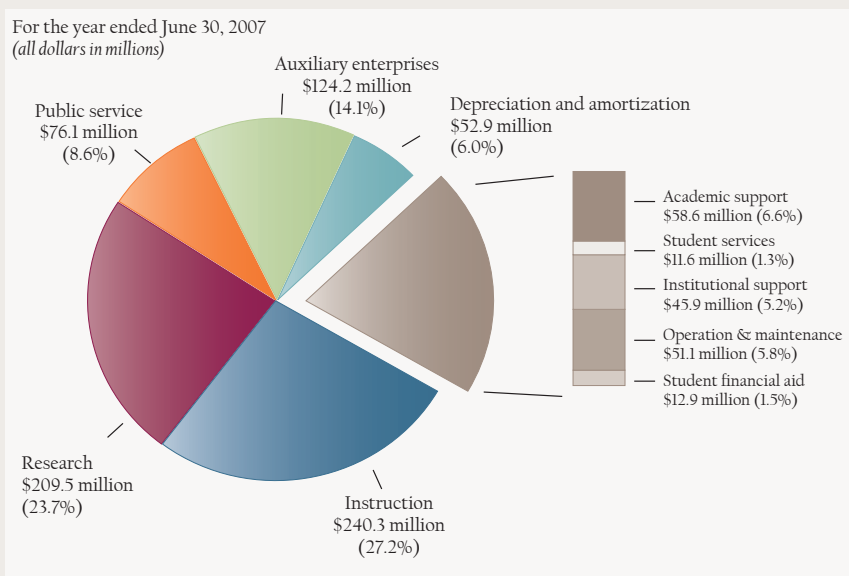
expenses which increased by \$18.8 million or 15.7%. The majority of the fringe benefit cost increases were in two areas, medical insurance premium rates (\$6.5 million or 14.5%) and the contribution rate for the state's retirement program (\$6.3 million or 19.8%).

Operating expenses for fiscal year 2007 totaled \$883.1 million, up \$67.9 million from fiscal year 2006. The net increase resulted from growth in almost all functional categories. The largest growth in operating expenses occurred in the research category which grew by \$23.7 million or 12.8%. This growth represents the continued expansion of existing research efforts and new initiatives supported by the expansion of grants and contracts as well as new state investment in research, such as the Commonwealth Research Initiative. Instruction expenses increased by \$21.6 million or 9.9% due to increases in personnel compensation, fringe benefit costs, and reinvestment in instructional programs and initiatives funded through increased student tuition and fees, and restored state appropriations.

The largest percentage of growth in expenses was in the student financial assistance category (19.4%) indicating increased amounts available from external scholarship funding. In addition, scholarship allowance for student tuition and fees increased from \$48.1 million to \$55.7 million during fiscal year 2007. This growth was expected and demonstrates the university's commitment to ensure financial assistance keeps pace with increases in student tuition and fees. Student services was the only function to exhibit a decline in expenses (\$1.2 million). This decline is attributed to a \$1.2 million reduction in the allocation of central university computing costs.

The university's operating revenues grew by 9.6% or \$52.1 million over the preceding year while operating expenses increased by 8.3% or \$67.9 million, resulting in an increase in the operating loss (\$15.8 million) for fiscal year 2007 over fiscal year 2006. The primary reason for the increase in the operating loss was the growth in expenses across almost all operating areas, specifically personnel compensation expenses and increased energy costs. Increasing state appropriations and gift

Operating Expenses by Function



Increase (Decrease) in Operating Expenses by Function

For the years ended June 30, 2007 and 2006
(all dollars in millions)

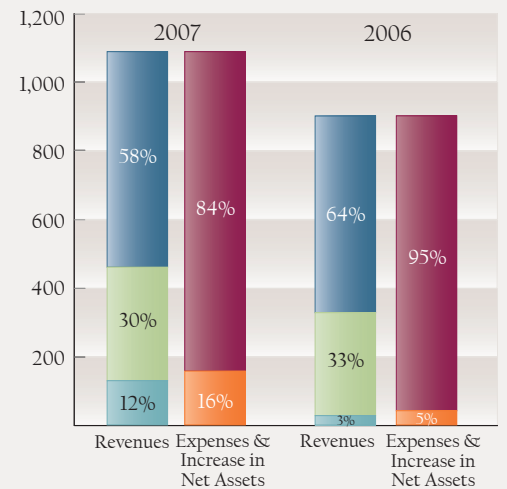
	2007	2006	Increase (Decrease)	
			Amount	Percent
Instruction	\$ 240.3	\$ 218.7	\$ 21.6	9.9 %
Research	209.5	185.8	23.7	12.8 %
Public service	76.1	72.4	3.7	5.1 %
Auxiliary enterprises	124.2	113.4	10.8	9.5 %
Depreciation and amortization	52.9	50.4	2.5	5.0 %
Subtotal	<u>703.0</u>	<u>640.7</u>	<u>62.3</u>	<u>9.7 %</u>
Support, maintenance, and other expenses				
Academic support	58.6	55.4	3.2	5.8 %
Student services	11.6	12.8	(1.2)	(9.4)%
Institutional support	45.9	45.4	0.5	1.1 %
Operations and maintenance of plant	51.1	50.1	1.0	2.0 %
Student financial assistance *	12.9	10.8	2.1	19.4 %
Total support, maintenance, and other expenses	<u>180.1</u>	<u>174.5</u>	<u>5.6</u>	<u>3.2 %</u>
Total expenses	<u>\$ 883.1</u>	<u>\$ 815.2</u>	<u>\$ 67.9</u>	<u>8.3 %</u>

* Net of scholarship discounts and allowances of \$55.7 million and \$48.1 million, respectively.

Summary of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2007 and 2006
(all dollars in millions)

	2007	2006 (as restated)	Increase (Decrease)
Operating revenues	\$ 595.9	\$ 543.8	\$ 52.1
Operating expenses	883.1	815.2	67.9
Operating loss	(287.2)	(271.4)	(15.8)
Non-operating revenues & expenses	313.8	284.6	29.2
Income before other revenues, expenses, gains or losses	26.6	13.2	13.4
Other revenues, expenses, gains or losses	122.3	26.1	96.2
Increase in net assets	148.9	39.3	109.6
Net assets - beginning of year	669.0	629.7	39.3
Net assets - end of year	<u>\$ 817.9</u>	<u>\$ 669.0</u>	<u>\$ 148.9</u>



income recorded as non-operating revenues more than offset the increase to the operating loss, confirmed by the positive growth in income before other net revenues of \$13.4 million.

STATEMENT OF CASH FLOWS

The *Statement of Cash Flows* presents detailed information about the cash activity of the university during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses and Changes in Net Assets* (SRECNA). This difference occurs because the SRECNA is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate cash flows sufficient to meet its obligations.

The statement is divided into five sections. The first section, Cash Flows from Operating Activities, deals with operating cash flows and shows net cash used by operating activities of the university. The Cash Flows from Noncapital Financing Activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires general state appropriations and noncapital gifts to be shown as cash flows from noncapital financing activities. The Cash Flows from Capital and Related Financing Activities section presents cash used for the acquisition and construction of capital and related items. Included in cash flows from capital financing activities are plant funds and related long-term debt activities (except depreciation and amortization), as well as gifts to endowments. The Cash Flows from Investing Activities section reflects the cash flows generated from investments to include purchase, proceeds, and interest. The last section reconciles the operating income or loss reflected on the SRECNA for fiscal year 2007 to net cash used by operating activities.

Major operating activity sources of cash for the university included student tuition and fees (\$227.7 million), grants and contracts (\$195.0 million), and auxiliary enterprise revenues

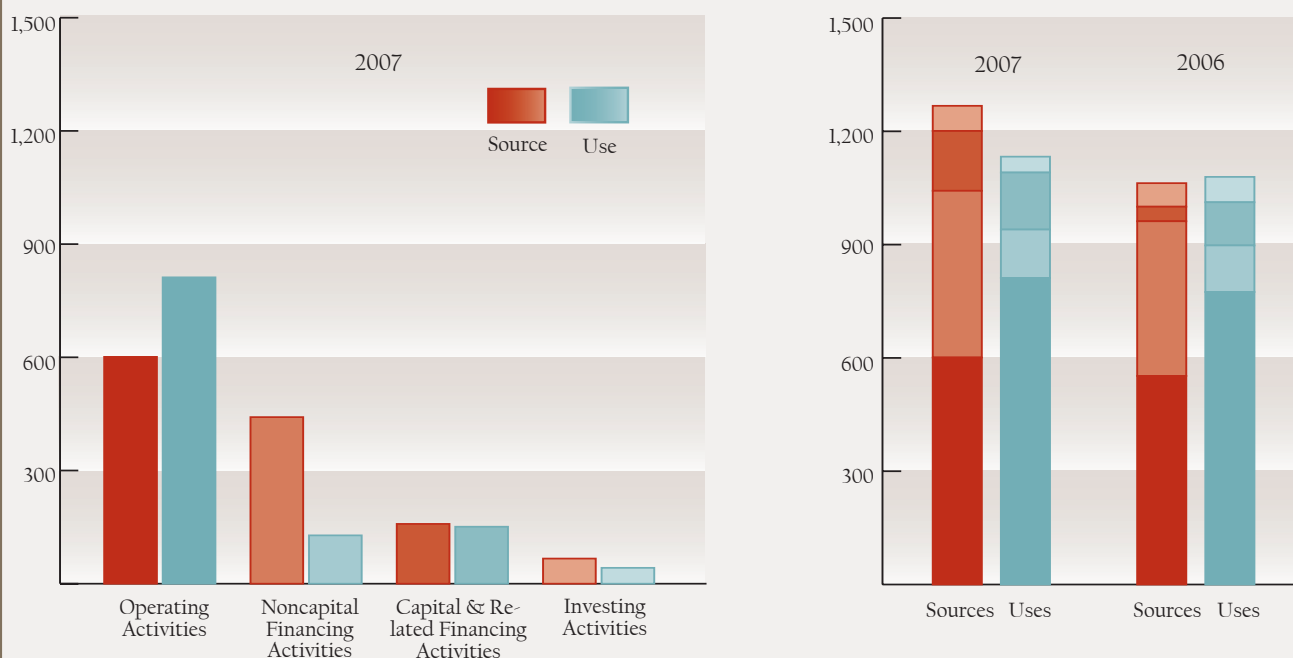
(\$144.5 million). Major operating activity uses of cash included compensation and benefits (\$558.1 million) and operating expenses (\$236.8 million). Operating activity uses of cash significantly exceed operating activity sources of cash due to state appropriations (\$261.8 million) and gifts (\$42.5 million) being classified as noncapital financing activities. Net cash from capital and related financing activities showed a large year-over-year increase primarily due to the change in revenue recognition guidelines for the commonwealth's capital programs. This change resulted in a reduction of \$31.8 million in the beginning net asset balance related to funding recognized in the prior year for ongoing capital projects. This revenue was subsequently recognized in the current period's capital grants and gifts category.

ECONOMIC OUTLOOK

The university is closely tied to the Commonwealth of Virginia. The commonwealth currently supports 29% of the university's operating budget through general fund appropriations. During 2006-07, the commonwealth continued to re-invest in higher education by making general fund allocations and maintaining the university's board of visitors' authority to establish tuition and fees rates. As a result, 2006-07 marked the third year since the FY2002 budget reductions that the commonwealth made significant unrestricted investments in higher education. The trend of unrestricted support continued in the development of the FY2008 budget, but a mid-year adjustment to state revenues may reverse a portion of this unrestricted gain in operating support. In any event, the university expects that the commonwealth will continue to provide the historic investment of operating support for the university's research initiatives. State general fund revenue growth has slowed and the university will continue to monitor its use of state appropriations in the future.

Virginia Tech, along with all other Virginia institutions of higher education, continues to maintain significant decentralized authority from the Commonwealth of Virginia through the requested restructuring of higher education which builds

Summary of Cash Flows



(The graphs above demonstrate the relationship between sources and uses of cash. The graph on the left shows activity for fiscal year 2007 only, grouped by related sources and uses of cash, while the graph on the right compares that same activity across fiscal years 2007 and 2006 in a stacked format.)

For the years ended June 30, 2007 and 2006
(all dollars in millions)

	2007	2006 (as restated)	Increase (Decrease)	
			Amount	Percent
Net cash used by operating activities	\$ (210.8)	\$ (222.3)	\$ 11.5	5.2 %
Net cash provided by noncapital financing activities	313.4	286.3	27.1	9.5 %
Net cash provided (used) by capital and related financing activities	7.4	(75.7)	83.1	109.8 %
Net cash provided (used) by investing activities	24.6	(4.9)	29.5	602.0 %
Net Increase (decrease) in cash and cash equivalents	134.6	(16.6)	151.2	910.8 %
Cash and cash equivalents-beginning of year	179.5	196.1	(16.6)	(8.5)%
Cash and cash equivalents-end of year	\$ 314.1	\$ 179.5	\$ 134.6	75.0 %

upon the success of the decentralization authority received from the commonwealth over the last decade. Restructuring provides additional flexibility and authority to the participant institutions with the potential for increased efficiencies and cost savings.

Executive management believes the university will maintain its solid financial foundation and is well positioned to continue its excellence in teaching, research, and public service. Management's policies of cost containment and investing in strategic initiatives will ensure the university is well prepared to manage a change in state support while continuing to grow and expand. The financial position of the university is strong as evidenced by its diversified portfolio of research funding, strong student demand from increasingly talented students, auxiliary enterprises with high customer satisfaction, low total cost of attendance, growing endowments, and quality debt ratings from Moody's (Aa3 with a positive outlook) and Standard and

Poor's (AA). These debt ratings allow the university to obtain funding for capital projects with advantageous terms.

Virginia Tech continues the silent phase of the university's largest private capital campaign and anticipates that private support will continue to grow. The university is grounded by an impressive community of students, faculty, and staff. These assets will sustain Virginia Tech's bright future as the commonwealth's largest university offering more career options than any other Virginia university.

The university's overall financial position remains strong. Management continues to maintain a close watch over resources to ensure the ability to react to unknown internal and external issues and sustain its current high quality financial position.

Statement of Net Assets

As of June 30, 2007, with comparative financial information as of June 30, 2006

(all dollars in thousands)

	2007		2006	
	Virginia Tech	Component Units	Virginia Tech (as restated)	Component Units
ASSETS				
Current assets				
Cash and cash equivalents (Note 4)	\$ 153,438	\$ (10,964)	\$ 122,572	\$ (7,531)
Cash equivalents, securities lending (Note 5)	697	-	1,853	-
Investments, securities lending (Note 5)	2,747	-	1,834	-
Short-term investments (Note 4, 25)	804	31,899	1,988	11,459
Accounts and contributions receivable, net (Notes 1, 6, 25)	37,786	28,021	35,276	18,774
Notes receivable, net (Note 1)	1,122	632	1,099	868
Due from Commonwealth of Virginia (Note 8)	12,702	-	6,683	-
Inventories	11,868	6,534	10,889	5,141
Prepaid expenses	7,033	493	8,516	414
Other assets	-	624	-	603
Total current assets	<u>228,197</u>	<u>57,239</u>	<u>190,710</u>	<u>29,728</u>
Noncurrent assets				
Cash and cash equivalents (Note 4)	160,679	91,854	56,890	54,378
Due from Commonwealth of Virginia (Note 8)	5,019	-	-	-
Short-term investments (Note 4)	4,958	-	4,984	-
Accounts and contributions receivable, net (Notes 1, 6, 25)	4,870	39,107	3,904	40,355
Notes receivable, net (Note 1)	13,768	16,669	12,965	17,406
Net investments in direct financing leases	-	7,590	-	7,981
Irrevocable trusts held by others, net	-	10,068	-	9,313
Long-term investments (Notes 4, 25)	63,526	593,344	72,515	530,745
Depreciable capital assets, net (Notes 7, 25)	686,077	112,139	654,456	93,748
Nondepreciable capital assets (Notes 7, 25)	127,622	18,628	78,790	28,787
Intangible assets, net	1,600	705	1,733	730
Other assets	419	5,250	1,192	4,602
Total noncurrent assets	<u>1,068,538</u>	<u>895,354</u>	<u>887,429</u>	<u>788,045</u>
Total assets	<u>1,296,735</u>	<u>952,593</u>	<u>1,078,139</u>	<u>817,773</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 9)	101,641	10,994	74,130	8,440
Obligations under securities lending (Note 5)	3,444	-	3,687	-
Accrued compensated absences (Notes 1, 14)	16,708	530	15,934	417
Deferred revenue (Notes 1, 10)	36,732	5,299	32,108	4,872
Funds held in custody for others	6,915	-	4,708	-
Long-term debt payable (Notes 11, 12, 25)	17,903	20,175	17,582	19,252
Other liabilities	25	2,138	25	1,263
Total current liabilities	<u>183,368</u>	<u>39,136</u>	<u>148,174</u>	<u>34,244</u>
Noncurrent liabilities				
Accrued compensated absences (Notes 1, 14)	20,620	88	16,329	97
Federal student loan program contributions refundable (Note 14)	13,278	-	13,254	-
Deferred revenue	-	1,790	-	-
Long-term debt payable (Notes 11, 12, 25)	260,655	94,757	230,340	76,162
Liabilities under trust agreements	-	36,563	-	33,255
Agency deposits held in trust (Note 25)	-	61,308	-	54,061
Other liabilities	862	7,753	998	6,992
Total noncurrent liabilities	<u>295,415</u>	<u>202,259</u>	<u>260,921</u>	<u>170,567</u>
Total liabilities	<u>478,783</u>	<u>241,395</u>	<u>409,095</u>	<u>204,811</u>
NET ASSETS				
Invested in capital assets, net of related debt	569,723	48,197	496,782	40,453
Restricted, nonexpendable	356	271,995	354	251,002
Restricted, expendable				
Scholarships, research, instruction, and other	68,262	321,025	58,824	258,950
Capital projects	52,280	42,509	5,856	34,056
Debt service	38,503	-	34,945	-
Unrestricted	88,828	27,472	72,283	28,501
Total net assets	<u>\$ 817,952</u>	<u>\$ 711,198</u>	<u>\$ 669,044</u>	<u>\$ 612,962</u>

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

Statement of Revenues, Expenses, and Changes in Net Assets

For the year ended June 30, 2007 with comparative financial information for the year ended June 30, 2006
(all dollars in thousands)

	2007		2006	
	Virginia Tech	Component Units	Virginia Tech (as restated)	Component Units
OPERATING REVENUES				
Student tuition and fees, net (Note 1)	\$ 227,400	\$ -	\$ 214,322	\$ -
Gifts and contributions	-	53,170	-	55,947
Federal appropriations	15,543	-	11,969	-
Federal grants and contracts	142,067	-	133,876	-
State grants and contracts	17,954	-	15,815	-
Local grants and contracts (Note 3)	13,905	-	13,317	-
Nongovernmental grants and contracts	21,648	-	18,756	-
Sales and services of educational activities	12,187	-	12,016	-
Auxiliary enterprise revenue, net (Note 1)	142,496	45,024	121,022	41,537
Other operating revenues	2,670	28,348	2,724	26,845
Total operating revenues	<u>595,870</u>	<u>126,542</u>	<u>543,817</u>	<u>124,329</u>
OPERATING EXPENSES				
Instruction	240,293	3,712	218,663	2,365
Research	209,526	4,759	185,848	5,033
Public service	76,157	4,017	72,421	4,670
Academic support	58,601	11,239	55,379	12,940
Student services	11,619	-	12,801	-
Institutional support	45,890	31,162	45,407	27,237
Operation and maintenance of plant	51,073	6,434	50,124	5,617
Student financial assistance	12,804	15,873	10,825	13,481
Auxiliary enterprises	124,185	39,802	113,368	37,034
Depreciation expense (Note 7)	52,782	5,393	50,255	4,547
Amortization expense	132	-	133	-
Other operating expenses	53	5,912	30	8,640
Total operating expenses	<u>883,115</u>	<u>128,303</u>	<u>815,254</u>	<u>121,564</u>
OPERATING INCOME (LOSS)	<u>(287,245)</u>	<u>(1,761)</u>	<u>(271,437)</u>	<u>2,765</u>
NON-OPERATING REVENUES (EXPENSES)				
State appropriations (Note 20)	261,798	-	239,567	-
Gifts	42,572	-	42,322	-
Non-operating grants and contracts	6,836	-	4,516	-
Investment income, net	14,516	14,673	7,255	12,108
Net gain on investments	-	59,649	-	27,747
Other additions (deductions)	(471)	-	648	-
Interest expense on debt related to capital assets	(11,411)	(3,769)	(9,632)	(3,211)
Net non-operating revenues (expenses)	<u>313,840</u>	<u>70,553</u>	<u>284,676</u>	<u>36,644</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
	<u>26,595</u>	<u>68,792</u>	<u>13,239</u>	<u>39,409</u>
Capital appropriations (Note 19)	55,966	-	8,272	-
Change in valuation of split interest agreements	-	4,379	-	1,770
Capital grants and gifts (Note 8)	67,526	7,551	19,310	9,662
Gain (loss) on disposal of capital assets	(1,179)	276	(1,450)	(682)
Additions to permanent endowments	-	17,749	-	16,240
Other revenues (expenses)	-	(511)	-	(1,997)
Total other revenues, expenses, gains, and losses	<u>122,313</u>	<u>29,444</u>	<u>26,132</u>	<u>24,993</u>
Increase in net assets	148,908	98,236	39,371	64,402
Net assets—beginning of year (Note 1)	<u>669,044</u>	<u>612,962</u>	<u>629,673</u>	<u>548,560</u>
Net assets—end of year	<u>\$ 817,952</u>	<u>\$ 711,198</u>	<u>\$ 669,044</u>	<u>\$ 612,962</u>

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

Statement of Cash Flows

For the year ended June 30, 2007, with comparative financial information for the year ended June 30, 2006
(all dollars in thousands)

	2007	2006 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 227,668	\$ 214,763
Federal appropriations	15,543	11,969
Grants and contracts	195,009	179,704
Sales and services of educational activities	12,187	12,016
Auxiliary enterprise revenues	144,533	126,095
Other operating receipts	2,453	2,698
Payments for compensation and fringe benefits	(558,064)	(543,789)
Payments for operating expenses	(236,759)	(215,884)
Payments for scholarships and fellowships	(12,559)	(10,597)
Loans issued to students	(4,493)	(4,321)
Collection of loans from students	3,715	5,058
Net cash used by operating activities	<u>(210,767)</u>	<u>(222,288)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	261,798	239,567
Gifts received for other than capital purposes	42,525	42,091
Non-operating grants and contracts	6,836	4,516
Federal Direct Lending Program—receipts	80,731	82,241
Federal Direct Lending Program—disbursements	(80,537)	(82,252)
Funds held in custody for others—receipts	49,574	41,201
Funds held in custody for others—disbursements	(47,542)	(41,070)
Net cash provided by noncapital financing activities	<u>313,385</u>	<u>286,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	55,966	8,272
Capital grants and gifts	54,475	15,728
Proceeds from capital debt	46,875	11,808
Proceeds from the sale of capital assets and insurance recoveries	1,108	2,743
Acquisition and construction of capital assets	(123,803)	(91,811)
Principal paid on capital debt and leases	(17,903)	(13,466)
Interest paid on capital debt and leases	(9,274)	(9,027)
Net cash provided (used) by capital and related financing activities	<u>7,444</u>	<u>(75,753)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	52,205	56,201
Interest on investments	14,394	6,124
Purchase of investments and related fees	(42,006)	(67,204)
Net cash provided (used) by investing activities	<u>24,593</u>	<u>(4,879)</u>
Net increase in cash and cash equivalents	134,655	(16,626)
Cash and cash equivalents—beginning of year	<u>179,462</u>	<u>196,088</u>
Cash and cash equivalents—end of year	<u>\$ 314,117</u>	<u>\$ 179,462</u>

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

Statement of Cash Flows (continued)

For the year ended June 30, 2007 with comparative financial information for the year ended June 30, 2006
(all dollars in thousands)

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (287,245)	\$ (271,437)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	52,782	50,255
Amortization expense	132	133
Changes in assets and liabilities		
Receivables, net of allowance for doubtful accounts	(2,462)	(2,012)
Inventories	(979)	(1,301)
Prepaid items	2,134	2,080
Notes receivable, net of allowance for doubtful accounts	(826)	(1,033)
Accounts payable and accrued liabilities	(1,131)	2,382
Accrued payroll	17,344	(7,617)
Compensated absences	5,065	785
Deferred revenue	4,624	5,466
Credit card rebate	(181)	-
Federal loan program contributions refundable	(24)	11
Total adjustments	<u>76,478</u>	<u>49,149</u>
Net cash used by operating activities	<u>\$ (210,767)</u>	<u>\$ (222,288)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in accounts receivable related to non-operating income	\$ (1,014)	\$ (2,880)
Capital assets acquired through in-kind donations as a component of capital gifts and grants income	\$ 1,227	\$ 2,967
Change in fair value of investments recognized as a component of interest income	\$ 5,667	\$ 1,131
Change in fair value of interest payable affecting interest paid	\$ 362	\$ 94
Capital assets acquired through installment purchase agreements	\$ 1,635	\$ 287
Change in interest receivable affecting interest received	\$ (122)	\$ (177)

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

Notes to Financial Statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Virginia Polytechnic Institute and State University is a public land-grant university serving the Commonwealth of Virginia, the nation, and the world community. The discovery and dissemination of new knowledge are central to its mission. Through its focus on teaching and learning, research, and discovery, outreach and engagement, the university creates, conveys, and applies knowledge to expand personal growth and opportunity, advance social and community development, foster economic competitiveness, and improve quality of life.

The university includes all funds and account groups, and 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, the Virginia Tech Foundation Inc. (VTF) and the Virginia Tech Services Inc. (VTS) are included as component units of the university.

A separate report is prepared for the Commonwealth of Virginia that includes all agencies, 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.

Virginia Tech Foundation Inc.

The foundation is a legally separate, tax-exempt organization established in 1948 to receive, manage, and disburse private gifts in support of Virginia Tech programs. The foundation is governed by a 35 member board of directors. The bylaws of the foundation provide that the rector of the board of visitors, the president of the alumni association, the president of the athletic fund, and the president of the university shall be members of the foundation board. The remainder of the board is composed of alumni and friends of the university who actively provide private support for university programs. Directors are elected by a vote of the membership of the foundation. Membership is obtained by making gifts at or above a specified level to the foundation.

The foundation serves the university by generating significant funding from private sources and aggressively managing its assets to provide funding which supplements state appropriations. It provides additional operating support to colleges and departments, assists in the funding of major building projects, and provides seed capital for new university initiatives. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or incomes which the foundation holds and invests, are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by or for the benefit of the university, the foundation is considered a component unit of the university and is discretely presented in the financial statements. The administrative offices of Virginia Tech Foundation Inc. are located on the fourth floor of the University Gateway Center, 902 Prices Fork Road, Blacksburg, Virginia 24061.

During the year ended June 30, 2007, the foundation distributed \$52,209,000 to the university for both restricted and unrestricted purposes.

Virginia Tech Services Inc.

Virginia Tech Services Inc. was formed as a separate nonprofit corporation to own and operate bookstores and provide other services for the use and benefit of the students, faculty, staff, and alumni of Virginia Tech. VTS transfers any surplus funds to the university or the foundation for allocation and use by the university as the president of the university and board of visitors deem appropriate. Although the university does not control the timing or amount of receipts from VTS, the majority of resources or income thereon that VTS holds is for the benefit of the university. Because these resources are for the benefit of the university, VTS is considered a component unit of the university and is discretely presented in the financial statements. The administrative offices of Virginia Tech Services Inc. are located at University Bookstore, Blacksburg, Virginia 24061.

During the year ended June 30, 2007, VTS paid \$1,135,000 to the university, primarily for the rental of facilities.

Financial Statement Presentation

GASB Statement Number 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The university is required under this guidance to include *Management's Discussion and Analysis*, and basic financial statements, including notes, in its financial statement presentation.

Basis of Accounting

For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the university's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The university has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university has elected not to apply FASB pronouncements issued after the applicable date.

Cash Equivalents

For purposes of the statements of net assets and cash flows, the university considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

In accordance with GASB Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value (see Note 4). Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from federal, state and local governments, and non-governmental sources, in connection with reimbursement of allowable expenses made pursuant to the university's grants and contracts. Accounts receivable is recorded net of allowance for doubtful accounts. See Note 6 for a detailed list of accounts receivable amounts.

Notes Receivable

Notes receivable consists of amounts due from the Federal Perkins Loan Program, the Health Professional Student Loan Program, and from other student loans offered by the university. Notes receivable is recorded net of allowance for doubtful accounts for current and noncurrent notes receivable, which totaled \$29,000 and \$274,000, respectively, as of June 30, 2007.

Inventories

Inventories are stated at the lower of cost or market (primarily first-in, first-out method) and consist mainly of expendable supplies, fuel for the physical plant, and publications.

Noncurrent Cash and Investments

Noncurrent cash and investments are externally restricted to make debt service payments or purchase other noncurrent assets.

Capital Assets

Capital assets consisting of land, buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress and equipment in process are capitalized at actual cost as expenses are incurred. Library materials are valued using published average prices for library acquisitions, and livestock is stated at estimated market value. All gifts of capital assets are recorded at fair market value as of the date of donation.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, 10 to 50 years for infrastructure and land improvements, 10 years for library books, and 3 to 30 years for fixed and

movable equipment. Livestock is not depreciated, as it tends to appreciate over the university's normal holding period.

Special collections are not capitalized due to the collections being: (1) held for public exhibition, education, or research in the furtherance of public service rather than financial gain; (2) protected, kept unencumbered, cared for, and preserved; and (3) subject to university policy requiring the proceeds from the sales of collection items to be used to acquire other items for collections.

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. The university incurred and capitalized net interest expense related to the construction of capital assets totaling \$555,000 for the fiscal year ended June 30, 2007.

Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for the granting of a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. The university's liability and expense for the amount of leave earned by employees but not taken, as of June 30, 2007, is recorded in the *Statement of Net Assets*, and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

Deferred Revenues

Deferred revenue represents revenue collected but not earned as of June 30, 2007. This amount is primarily composed of revenue for grants and contracts, prepaid athletic ticket sales, and prepaid student tuition and fees. See Note 10 for a detailed list of deferred revenue amounts.

Noncurrent Liabilities

Noncurrent liabilities include: (1) the principal amounts of revenue bonds payable, notes payable, and capital lease obligations with maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets

The university's net assets are classified as follows:

- Invested in capital assets, net of related debt — Invested in capital assets, net of related debt represents the university's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- Restricted net assets, expendable — Expendable restricted net assets include resources for which the university is legally

or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- **Restricted net assets, nonexpendable** — Nonexpendable restricted net assets consist of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, to be expended or added to principal.
- **Unrestricted net assets** — Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational departments and the general operations of the university, and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to apply the expense towards restricted resources before unrestricted resources.

Income Taxes

The university, as a political subdivision of the Commonwealth of Virginia, is excluded from federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended.

Classifications of Revenues

The university has classified its revenues as either operating or non-operating revenues according to the following criteria:

- **Operating revenues** — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowance; (3) most federal, state, local, and nongovernmental grants and contracts and federal appropriations; and (4) interest on institutional student loans.
- **Non-operating revenues** — Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement Number 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement Number 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* are included in this category.

Scholarship Allowance

Student tuition and fees, certain auxiliary revenues, and student financial assistance expenses are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Assets*. Scholarship allowance is the difference between the stated charge for goods and services provided by the university and the amount paid by students and/or third parties making payments on the students' behalf. For the fiscal year ended June 30, 2007, the scholarship allowance for student

tuition and fee revenue and auxiliary enterprise revenue totaled \$44,641,000 and \$11,068,000, respectively. Scholarship allowance to students is reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is an algorithm that computes scholarship allowance on a university-wide basis rather than on an individual student basis.

Restatement of Prior Year Amounts

An adjustment was made to the July 1, 2006, net asset balance. The following adjustment reflects the change in reporting guidelines for the Commonwealth of Virginia's Treasury reimbursement programs (*all dollars in thousands*):

Net Assets, June 30, 2006	\$ 700,804
Change in reporting guidelines for reimbursement programs	<u>(31,760)</u>
Net assets, July 1, 2006	<u>\$ 669,044</u>

2. RELATED PARTIES

In addition to the component units discussed in Note 1, Virginia Tech also has related parties that were not considered significant. These financial statements do not include the assets, liabilities, and net assets of the related parties that support university programs. The related parties of the university are: Virginia Tech Alumni Association; Virginia Tech Athletic Fund Inc.; Virginia Tech Intellectual Properties Inc.; Virginia Tech Corps of Cadets Alumni Inc.; and any of the subsidiaries of these corporations.

The organizations are related to the university by affiliation agreements. These agreements, approved by the board of visitors, require an annual audit to be performed by independent auditors. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Exemption requirements are met by Virginia Tech Alumni Association; Virginia Tech Athletic Fund Inc.; and Virginia Tech Corps of Cadets Alumni Inc. They are therefore not required to have an annual audit. Virginia Tech Intellectual Properties Inc. is required to have an annual audit. Auditors have examined the financial records of the organization and a copy of their audit report has been provided to the university.

3. LOCAL GOVERNMENT SUPPORT

The university, through the operation of its Cooperative Extension Service, maintains offices in numerous cities and counties throughout the Commonwealth of Virginia. Personnel assigned to these locations receive a portion of their compensation from local governments. Also included in the expenses of these extension offices are unit support services, which include such items as rent, telephone, supplies, equipment, and extension program expenses. The amount contributed by the various local governments totaled \$11,732,000 in 2007, and has been included in revenues and expenses of the accompanying financial statements. The university received other local government support of \$2,173,000 in 2007.

4. CASH, 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 Number 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 counter party 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 had no category 3 deposits or investments for 2007.
- Credit risk — Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. GASB Statement Number 40 requires the disclosure of the credit quality rating on any investments subject to credit risk.
- Concentration of credit risk — The risk of loss attributed to the magnitude of a government's investment in a single issuer is referred to as concentration of credit risk. GASB Statement Number 40 requires disclosure of any issuer with more than five percent of total investments.

- Interest rate risk — This is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement Number 40 requires disclosure of maturities for any investments subject to interest rate risk. The university does not have an interest rate risk policy.

- Foreign currency risk — This risk refers to the possibility that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The university had no foreign investments or deposits for 2007.

The university's credit risk, concentration of credit risk and interest rate risk are categorized in the tables below and on the following page.

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

Categorization of credit and concentration of credit risk

Investments held on June 30, 2007 (all dollars in thousands):

INVESTMENT TYPE	Fair Value	Percent of Investment	Standard & Poor's Credit Rating	Moody's Credit Rating
U.S. Government securities				
U.S. Treasury notes (1)	\$ 9,630	4.92%	N/A	N/A
Government sponsored enterprises				
Federal Home Loan Mortgage Corporation	1,996	1.02%	AAA	Aaa
Federal National Mortgage Association	4,958	2.53%	AAA	Aaa
Federal Home Loan Bank	3,976	2.03%	AAA	Aaa
Money market and mutual funds				
Money market - Fidelity	26,181	13.37%	AAA	Aaa
Other				
Deposits with VTF	239	0.12%	N/A	N/A
Investments held with VTF (2)	47,867	24.45%	N/A	N/A
Dairy Farmers of America	58	0.03%	BBB+	Baa+
Short-term investment fund	60,590	30.95%	AAAm	Aaa
SNAP	39,475	20.16%	AAAm	Unrated
TIAA/CREF DC annuities	610	0.31%	AAA	Aaa
VALIC mutual funds	194	0.10%	AAA	Aaa
Investment held with the Bank of New York	13	.01%	AAAm	Aaa
Total	<u>\$ 195,787</u>	<u>100.00%</u>		

- (1) Credit quality ratings are not required for U.S. government securities that are explicitly guaranteed by the United States Government.
- (2) Credit quality ratings are not required for these investments.

Categorization of interest rate risk

Investments held on June 30, 2007 (all dollars in thousands):

INVESTMENT TYPE	<u>0—3 Months</u>	<u>4—12 Months</u>	<u>1—5 Years</u>	<u>6—10 Years</u>	<u>Total</u>
U.S. Government securities					
U.S. Treasury notes	\$ 5,038	\$ 4,038	\$ 554	\$ -	\$ 9,630
Government sponsored enterprises					
Federal Home Loan Mortgage Corporation	-	1,996	-	-	1,996
Federal National Mortgage Association	-	4,958	-	-	4,958
Federal Home Loan Bank	1,998	1,978	-	-	3,976
Money market and mutual funds					
Money market - Fidelity	26,181	-	-	-	26,181
Other					
Deposits with VTF	239	-	-	-	239
Dairy Farmers of America	58	-	-	-	58
Short-term investment fund	60,590	-	-	-	60,590
SNAP	39,475	-	-	-	39,475
Investments held with the Bank of New York	13	-	-	-	13
Subtotal	<u>\$ 133,592</u>	<u>\$ 12,970</u>	<u>\$ 554</u>	<u>\$ -</u>	<u>147,116</u>
Investments without specific maturities					
Investments held with VTF					47,867
VALIC mutual fund					194
TIAA/CREF DC annuities					610
Total					<u>\$ 195,787</u>

cash equivalents reporting requirements are defined by GASB Statement Number 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Investments

The investment policy of the university is established by the board of visitors and monitored by the board's Finance and Audit 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, corporate debt securities of domestic corporations, asset-backed securities, mortgage-backed securities, AAA rated obligations of foreign governments, bankers acceptances and bank notes, negotiable certificates of deposit, repurchase agreements, and money market funds.

Investments fall into two groups: short-term 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. A categorization of university investments is presented below.

Summary of Investments

As of June 30, 2007 (all dollars in thousands):

INVESTMENT TYPE	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Cash equivalents	\$ 26,420	\$ 100,079	\$ 126,499
Short-term investments	804	4,958	5,762
Long-term investments	-	63,526	63,526
Total investments	<u>\$ 27,224</u>	<u>\$ 168,563</u>	<u>\$ 195,787</u>

5. SECURITIES LENDING TRANSACTIONS

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

The investments under securities lending and the securities lending transactions reported on the financial statements represent the university's allocated share of securities received for securities lending transactions held in the general account of the Commonwealth of Virginia. For the fiscal year ended June 30, 2007, the securities lending cash equivalents and investments totaled \$697,000 and \$2,747,000, respectively. The corresponding securities lending obligation is shown on the *Statement of Net Assets*. For the year ended June 30, 2007, securities lending transactions totaled \$312,000 of securities lending income and \$305,000 of securities lending cost. These totals have been included as investment income on the *Statement of Revenues, Expenses, and Changes in Net Assets*. Information related to the credit risk of these investments and securities lending transactions held in the general account is available in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

6. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2007 (*all dollars in thousands*):

Current receivables

Grants and contracts	\$ 34,614
Student tuition and fees	2,256
Auxiliary enterprises and other operating activities	<u>2,530</u>
Total current receivables before allowance	39,400
Less allowance for doubtful accounts	<u>1,614</u>
Net current accounts receivable	<u>37,786</u>

Noncurrent receivables

Capital gifts, grants and other receivables	5,739
Less allowance for doubtful accounts	<u>869</u>
Net noncurrent accounts receivable	<u>4,870</u>
Total receivables	<u>\$ 42,656</u>

7. CAPITAL ASSETS

A summary of changes in capital assets follows for the year ending June 30, 2007 (*all dollars in thousands*):

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	\$ 719,623	\$ 34,816	\$ 8	\$ 754,431
Moveable equipment	313,747	42,376	19,022	337,101
Fixed equipment	60,729	4,763	295	65,197
Infrastructure	91,422	1,908	-	93,330
Library books	<u>63,357</u>	<u>2,308</u>	<u>67</u>	<u>65,598</u>
Total depreciable capital assets, at cost	<u>1,248,878</u>	<u>86,171</u>	<u>19,392</u>	<u>1,315,657</u>
Less accumulated depreciation				
Buildings	224,250	18,751	4	242,997
Moveable equipment	218,523	26,346	17,406	227,463
Fixed equipment	33,200	2,474	147	35,527
Infrastructure	68,760	2,557	-	71,317
Library books	<u>49,689</u>	<u>2,654</u>	<u>67</u>	<u>52,276</u>
Total accumulated depreciation	<u>594,422</u>	<u>52,782</u>	<u>17,624</u>	<u>629,580</u>
Total depreciable capital assets, net of accumulated depreciation	<u>654,456</u>	<u>33,389</u>	<u>1,768</u>	<u>686,077</u>
Nondepreciable capital assets				
Land	42,771	1,483	-	44,254
Livestock	807	-	106	701
Construction in progress	32,156	84,566	36,712	80,010
Equipment in process	<u>3,056</u>	<u>2,647</u>	<u>3,046</u>	<u>2,657</u>
Total nondepreciable capital assets	<u>78,790</u>	<u>88,696</u>	<u>39,864</u>	<u>127,622</u>
Total capital assets, net of accumulated depreciation	<u>\$ 733,246</u>	<u>\$ 122,085</u>	<u>\$ 41,632</u>	<u>\$ 813,699</u>

8. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. Virginia Tech received funding during fiscal year 2007 from the 21st Century program and the Equipment Trust Fund program, both managed by the Virginia College Building Authority (VCBA). The university was also reimbursed from the proceeds of Section 9(b) bonds (general obligation debt for capital projects, as defined in Article X, section 9 of the *Constitution of Virginia*) established for the same purpose. The *Statement of Revenues, Expenses, and Changes in Net Assets* includes the amounts listed below for the year ended June 30, 2007, in the capital grants and gifts category as reimbursement for the acquisition of equipment and facilities under these three programs (*all dollars in thousands*):

VCBA 21 st Century program	\$ 1,267
VCBA Equipment Trust Fund program	19,379
General obligation 9(b) bonds	<u>40,672</u>
	<u>\$ 61,318</u>

The “Due from the Commonwealth of Virginia” line items on the *Statement of Net Assets* for the year ended June 30, 2007, represents pending reimbursements from the following programs (*all dollars in thousands*):

Credit card rebate/accrued interest	\$ 1,531
VCBA Equipment Trust Fund program	11,171
General obligation 9(b) bonds	<u>5,019</u>
	<u>\$ 17,721</u>

9. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2007, consist of the following (*all dollars in thousands*):

Accounts payable	\$ 43,965
Accrued salaries and wages payable	52,512
Retainage payable	<u>5,164</u>
Total current accounts payable and accrued liabilities	<u>\$ 101,641</u>

Retainage payable represents funds held by the university as retainage on various construction contracts for work performed. The funds retained will be remitted to the various contractors upon satisfactory completion of the construction projects.

10. DEFERRED REVENUE

Deferred revenue consists of the following as of June 30, 2007 (*all dollars in thousands*):

Grants and contracts	\$ 13,859
Prepaid athletic tickets	13,796
Prepaid tuition and fees	6,335
Other auxiliary enterprises	<u>2,742</u>
Total deferred revenue	<u>\$ 36,732</u>

11. SUMMARY OF LONG-TERM INDEBTEDNESS

Bonds Payable

The university has issued two categories of bonds pursuant to section 9 of Article X of the *Constitution of Virginia*.

Section 9(d) bonds are revenue bonds which are limited obligations of the university, payable exclusively from pledged general revenues, and which are not legal or moral debts of the Commonwealth of Virginia. Pledged general revenues include general fund appropriations, student tuition and fees, facilities and administrative (indirect) cost recoveries, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The university has issued section 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 issues section 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the university and various other institutions of higher education. The notes are secured by the pledged general revenues of the university. For more information, see the following description of Notes Payable and the discussion of Notes Payable in Note 12, Detail of Long-term Debt Payable.

Section 9(c) bonds are general obligation revenue bonds issued by the Commonwealth of Virginia on behalf of the university and secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

Bond covenants related to some of these bonds, both 9(c) and 9(d), established or continued groups of accounts called systems. The treasurer of Virginia holds these systems in trust for managing the net revenues and debt service of certain university auxiliaries. The revenue bonds issued by the Dorm and Dining Hall System, the University Services System (comprised of the Student Centers, Recreational Sports, and Student Health auxiliaries), the Utility System (the Electric Service auxiliary), and the Athletic System are secured by a pledge of each system's net revenues generated from student or customer fees, and are further secured by the pledged general revenues of the university.

Notes Payable

Notes payable are debt obligations between the Virginia College Building Authority (VCBA) and the university. The VCBA issues bonds through the Pooled Bond Program and uses the proceeds to purchase debt obligations (notes) of the university. The notes are secured by the pledged general revenues of the university.

Capital Leases

Capital leases represent the university's obligation to Virginia Tech Foundation Inc. for lease agreements related to the Student Services building, Southgate Center addition, and Hunter Andrews Information Systems building addition. The assets under capital lease are recorded at the net present value of the minimum lease payments during the lease term.

Installment Purchase Obligations

The university has entered into various installment purchase contracts to finance the acquisition of equipment. The length of the purchase agreements range from two to seven years with variable rates of interest. The outstanding principal is included in the "Long-term debt payable" line items on the *Statement of Net Assets*.

A summary of the university's long-term indebtedness, including activity for fiscal year 2007, future principal commitments, and future interest commitments, is presented below.

Changes in Long-term Debt Payable Activity

As of June 30, 2007 (*all dollars in thousands*):

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Bonds payable					
Section 9(c) general obligation revenue bonds	\$ 33,481	\$ 20,726	\$ 4,164	\$ 50,043	\$ 4,144
Section 9(d) revenue bonds	98,368	-	7,964	90,404	8,255
Notes payable	103,142	26,149	4,802	124,489	4,280
Capital lease obligations	12,091	29	459	11,661	590
Installment purchase obligations	840	1,635	514	1,961	634
Total long-term debt payable	<u>\$ 247,922</u>	<u>\$ 48,539</u>	<u>\$ 17,903</u>	<u>\$ 278,558</u>	<u>\$ 17,903</u>

Future Principal Commitments

For fiscal years subsequent to 2007 (*all dollars in thousands*):

	Section 9(c)Bonds	Section 9(d)Bonds	Notes Payable	Capital Lease Obligations	Installment Purchase Obligations	Total Long-term Debt Payable
2008	\$ 4,144	\$ 8,255	\$ 4,280	\$ 590	\$ 634	\$ 17,903
2009	3,058	8,390	4,470	624	450	16,992
2010	3,910	5,150	4,680	647	360	14,747
2011	3,947	5,340	4,880	676	366	15,209
2012	3,177	5,540	5,130	709	140	14,696
2013 – 2017	14,612	27,360	29,705	4,130	11	75,818
2018 – 2022	7,725	12,090	33,145	4,285	-	57,245
2023 – 2027	7,880	12,770	28,400	-	-	49,050
2028 – 2032	-	6,000	6,830	-	-	12,830
Unamortized premium	1,165	1,096	3,249	-	-	5,510
Deferral on debt defeasance	425	(1,587)	(280)	-	-	(1,442)
Total future principal requirements	<u>\$ 50,043</u>	<u>\$ 90,404</u>	<u>\$ 124,489</u>	<u>\$ 11,661</u>	<u>\$ 1,961</u>	<u>\$ 278,558</u>

Future Interest Commitments

For fiscal years subsequent to 2007 (*all dollars in thousands*):

	Section 9(c)Bonds	Section 9(d)Bonds	Notes Payable	Capital Lease Obligations	Installment Purchase Obligations	Total Interest
2008	\$ 2,280	\$ 4,192	\$ 5,751	\$ 443	\$ 63	\$ 12,729
2009	2,143	3,841	5,553	419	43	11,999
2010	1,995	3,490	5,350	395	28	11,258
2011	1,810	3,297	5,125	370	14	10,616
2012	1,619	3,085	4,878	344	2	9,928
2013 – 2017	5,851	11,136	20,256	1,286	-	38,529
2018 – 2022	3,009	6,251	12,280	466	-	22,006
2023 – 2027	1,150	3,304	4,893	-	-	9,347
2028 – 2032	-	431	556	-	-	987
Total future interest requirements	<u>\$ 19,857</u>	<u>\$ 39,027</u>	<u>\$ 64,642</u>	<u>\$ 3,723</u>	<u>\$ 150</u>	<u>\$ 127,399</u>

12. DETAIL OF LONG-TERM DEBT PAYABLE**Bonds Payable**

As of June, 30, 2007 (all dollars in thousands):

	<u>Interest rates</u>	<u>Maturity</u>	<u>2007</u>
Revenue Bonds			
Dormitory and dining hall system			
Series 1996B, issued \$5,475 *	3.80% - 5.35%	2009	\$ 1,080
Series 2004B, issued \$1,265 – refunding series 1996B *	2.00% - 4.00%	2016	1,125
Series 2004A, issued \$2,710 – refunding series 1996A *	2.00% - 5.00%	2016	2,470
Series 2004A, issued \$1,665 – refunding series 1996A *	2.00% - 5.00%	2016	1,515
University services systems			
Student health and fitness center			
Series 2004C, issued \$15,105 – refunding series 1996C*	2.00% - 5.00%	2016	13,540
Utility system, series 1996D, issued \$2,570 *	3.80% - 5.35%	2009	505
Athletic system			
Athletic facility – improvements			
Series 2004D, issued \$4,155 – refunding series 1996A *	2.00% - 5.00%	2016	3,795
Lane Stadium west sideline expansion			
Series 2004D, issued \$52,715	3.00% - 5.13%	2029	48,180
Veterinary Medicine, series 1996A, issued \$1,040 *	3.80% - 5.75%	2008	115
Northern Virginia Graduate Center			
Series 2004A, issued \$7,860 – refunding series 1996A *	2.00% - 5.00%	2020	7,385
Architectural/engineering			
Series 2004A, issued \$4,685 – refunding series 1996A *	2.00% - 5.00%	2016	4,270
Coal fired facility			
Series 2004A, issued \$6,005 – refunding series 1996A *	2.00% - 5.00%	2016	5,475
Series 2004A, issued \$1,585 – refunding series 1996A *	2.00% - 5.00%	2016	1,440
Unamortized premium (discount)			1,096
Deferral on debt defeasance			<u>(1,587)</u>
Total revenue bonds			<u>90,404</u>
General Obligation Revenue Bonds			
Dormitory and dining hall system			
Series 1998, issued \$3,158 – refinanced 1992C *	3.50% - 5.00%	2013	2,133
Series 1998, issued \$1,380 – refinanced 1992D *	3.50% - 5.00%	2013	1,138
Series 1998, issued \$1,440 – refinanced 1992D *	3.50% - 5.00%	2013	1,189
Series 1998, issued \$3,255 – partial refunding *	5.00% - 5.50%	2008	155
Series 1999, issued \$1,800 – partial refunding *	4.75% - 4.88%	2009	170
Series 2003A, issued \$2,694 – refunding series 1993B *	2.50% - 5.50%	2011	1,449
Series 2004B, issued \$9,995 – partial refunding series 1997 *	2.00% - 5.00%	2017	9,788
Series 2004B, issued \$1,928 – partial refunding series 1998 *	2.00% - 5.00%	2018	1,891
Series 2004B, issued \$1,168 – partial refunding series 1999 *	2.00% - 5.00%	2019	1,143
Series 2004A, issued \$4,800	3.75% - 5.00%	2024	4,320
Series 2007A, issued \$5,995	4.00% - 5.00%	2027	5,995
Series 2007A, issued \$13,130	4.00% - 5.00%	2027	13,130
University services system – student center			
Series 2003A, issued \$5,457 – refunding series 1993A *	2.50% - 5.50%	2008	1,187
Series 2003A, issued \$684 – refunding series 1993B *	2.50% - 5.50%	2010	315
Series 2003A, issued \$1,755 – refunding series 1993B *	2.50% - 5.50%	2011	944
Parking facilities			
Series 2002, issued \$975	2.50% - 5.00%	2017	705
Series 2003A, issued \$2,268 – refunding series 1993B *	2.50% - 5.50%	2011	1,220
Series 2004B, issued \$951 – partial refunding series 1997 *	2.00% - 5.00%	2017	931
Series 2006B, issued \$685	4.00% - 5.00%	2026	650
Unamortized premium (discount)			1,165
Deferral on debt defeasance			<u>425</u>
Total general obligation revenue bonds			<u>50,043</u>
Total bonds payable			<u>\$ 140,447</u>

Notes Payable

Notes payable to VCBA under the pooled 9(d) bond program at June 30, 2007 (all dollars in thousands):

	Average Coupon rate	Maturity	2007
Dormitory and dining hall system			
Series 1998A, issued \$10,145 – partial refunding *	4.53%	2019	\$ 5,905
Series 1999A, issued \$10,905 – partial refunding *	5.73%	2010	1,470
Series 2004B, issued \$1,120 – partial refunding series 1999 *	5.00%	2014	1,120
Series 2004B, issued \$7,420 – partial refunding series 1999A *	3.00% - 5.00%	2020	7,300
Series 2005, issued \$2,815	3.50% - 5.00%	2026	2,740
University services system – Career Services building			
Series 2002A, issued \$4,405	5.19%	2023	3,850
Utility system			
Series 2000A, issued \$2,925 – partial refunding *	5.25%	2021	1,505
Series 2002A, issued \$2,875	5.19%	2023	2,510
Series 2004B, issued \$870 – partial refunding series 2000A *	3.00% - 5.00%	2017	855
Athletic system			
Lane Stadium expansion, series 2001A, issued \$26,285	4.70%	2027	18,285
Infectious waste facility			
Series 2000A, issued \$1,640 – partial refunding *	5.25%	2021	845
Series 2004B, issued \$480 – partial refunding series 2000A *	3.00% - 5.00%	2017	475
Biomedical facility, series 2002A, issued \$21,930	5.11%	2028	20,385
Alumni and conference center, series 2003A, issued \$21,585	4.63%	2031	21,105
Life Sciences - I, series 2005, issued \$8,295	3.50% - 5.00%	2026	8,075
ICTAS - I, series 2006A, issued \$16,145	3.00% - 5.00%	2027	16,145
Boiler Pollution Controls, series 2006A, issued \$1,925	3.00% - 5.00%	2027	1,925
Surge Space building, series 2006A, issued \$7,025	4.00% - 5.00%	2022	7,025
Unamortized premium (discount)			3,249
Deferral on debt defeasance			(280)
Total notes payable			<u>\$ 124,489</u>

*See Footnote 13 – Long-term Debt Defeasance

Other Long-term Debt

Other long-term debt at June 30, 2007 (all dollars in thousands):

Capital leases payable for agreements related to the Student Services, Southgate Center addition, Hunter Andrews addition buildings and equipment	\$ 11,661
Installment purchase obligations for equipment purchases through June 2007 with various interest rates and maturing through 2013	<u>1,961</u>
Total other long-term debt	<u>\$ 13,622</u>

13. LONG-TERM DEBT DEFEASANCE

In previous fiscal years, in accordance with GASB Statement Number 7, *Advance Refundings Resulting in the Defeasance of Debt*, the university has excluded from its financial statements the assets in escrow and the section 9(c) or 9(d) bonds payable that were defeased in-substance. For the year ended June 30, 2007, bonds payable considered defeased in previous years totaled \$12,675,000.

14. CHANGE IN OTHER LIABILITIES

A summary of changes in other liabilities for the year ended June 30, 2007, follows (all dollars in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 32,263	\$ 26,776	\$ 21,711	\$ 37,328	\$ 16,708
Federal loan program contribution refundable	<u>13,254</u>	<u>198</u>	<u>174</u>	<u>13,278</u>	-
Total other liabilities	<u>\$ 45,517</u>	<u>\$ 26,974</u>	<u>\$ 21,885</u>	<u>\$ 50,606</u>	<u>\$ 16,708</u>

15. LEASE COMMITMENTS

The university has entered into numerous agreements to lease land, buildings, and equipment. With some of these agreements, the university is committed under various operating leases for equipment and space. In general, the leases are for a three to five-year term and the university has renewal options. During the normal course of business the university expects similar leases to replace these leases. The total lease expense was approximately \$15,600,000 for the year ended June 30, 2007, which includes approximately \$3,153,000 of short-term equipment rentals that can be terminated at any time. These short-term equipment rental costs are not included in the summary of future lease payments listed below.

A summary of future minimum lease payments under operating leases as of June 30, 2007, follows (*all dollars in thousands*):

2008	\$ 10,878
2009	9,602
2010	6,852
2011	5,160
2012	2,430
2013 – 2017	<u>210</u>
Total	<u>\$ 35,132</u>

16. CAPITAL IMPROVEMENT COMMITMENTS

The amounts listed in the following table represent the value of obligations remaining on capital improvement project contracts. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. Outstanding contractual commitments for capital improvement projects as of June 30, 2007, include:

Capital commitments by project (*all dollars in thousands*)

ICTAS - I engineering facility	\$ 12,857
Campus Heat Plant	9,465
Cowgill addition	6,567
Bishop-Favrao Hall	3,425
Life Sciences - I	3,417
Litton-Reaves	737
University classrooms	554
Other projects	<u>1,590</u>
Total	<u>\$ 38,612</u>

The following table shows the sources of funds for the outstanding commitments for capital improvement projects listed previously.

Capital commitments by source of funding (*all dollars in thousands*)

General obligation bond proceeds	\$ 10,137
Capital appropriations	12,671
Auxiliary enterprise funds	424
Private funds	2,105
State general appropriations	10,736
Facilities and administrative (indirect) cost recoveries and university education and general funds	2,537
Federal funds	<u>2</u>
Total	<u>\$ 38,612</u>

17. CONTRIBUTIONS TO PENSION PLANS

Virginia Retirement System

Employees of the university are employees of the Commonwealth of Virginia and therefore participate in the commonwealth's defined benefit retirement plan. This plan is administered by the Virginia Retirement System (VRS). VRS is a multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information related to this plan is available at the statewide level only and can be found in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The commonwealth, not the university, has the overall responsibility for contributions to this plan.

The university's expenses include the amount assessed by the commonwealth for contributions to VRS, which totaled approximately \$21,946,000 for the year ended June 30, 2007.

Optional Retirement Plan

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by three different providers other than the VRS. The three different providers are TIAA/CREF Insurance Companies; Fidelity Investments Tax-Exempt Services Co.; and the Variable Annuity Life Insurance Company (VALIC). This plan is a defined contribution program where the retirement benefits received are based upon the employer's (5.4%) and employees' (5%) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the university's and the employees' contributions. Total pension costs under this plan were approximately \$16,113,000 for fiscal year 2007. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$155,172,000 for this fiscal year.

Deferred Compensation Plan

Employees of the university are employees of the Commonwealth of Virginia. State employees may participate in the commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the *Internal Revenue Code*. The university expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the commonwealth, was approximately \$1,796,000 for the fiscal year 2007.

Federal Pension Plans

Certain Cooperative Extension Service (CES) professional employees are participants in either the Federal Employee Retirement System (FERS) or the Federal Civil Service Retirement System (CSRS). FERS and CSRS are defined benefit plans in which benefits are based upon the highest base pay of any three consecutive years and the years of creditable service. Pension costs under these plans were approximately \$387,000 for the year ended June 30, 2007. Contributions to FERS and CSRS were calculated using a base salary amount of approximately \$4,784,000 for fiscal year 2007.

In addition, the university contributed \$48,000 for the year ended June 30, 2007, in employer contributions to the Thrift Savings Plan. The Thrift Savings Plan is a defined contribution plan in which the university matches employee contributions within certain limitations.

18. POSTEMPLOYMENT BENEFITS

The commonwealth participates in the VRS administered, statewide group life insurance program that provides postemployment life insurance benefits to eligible retired and terminated employees. Health care credits are also provided to offset the monthly health insurance premiums of its retirees who have at least 15 years of service. Information related to these plans is available at the statewide level in the commonwealth's *Comprehensive Annual Financial Report*.

19. CAPITAL APPROPRIATIONS

Capital project general fund appropriations of \$55,966,000 were recognized by the university from the commonwealth for the year ended June 30, 2007.

20. APPROPRIATIONS

The Appropriation Act specifies that unexpended general fund appropriations that remain on the last day of the current year, ending on June 30, 2007, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2007, except as may be specifically provided otherwise by the General Assembly. The governor may, at his discretion,

unallot funds from the reappropriated balances that relate to unexpended appropriations for payments to individuals, aid to localities, or any pass-through grants.

During the year ended June 30, 2007, the following adjustments were made to the university's original appropriation (*all dollars in thousands*):

Original legislative appropriation <i>(per Chapter 847, as amended)</i>	
Education and general programs	\$ 230,367
Student financial assistance	15,628
Commonwealth Research Initiative	7,525
Uncapitalized maintenance reserve	6,703
Unique military activities	1,462
Eminent scholar program	602
Engineering research center fund	<u>300</u>
Total appropriation	<u>262,587</u>
Adjustments	
Reversion of additional payroll posted during fiscal year 2006	(7,708)
Health insurance premium	2,527
Salary increases	1,789
Virginia Retirement System rate increase	1,380
Group life insurance premium	437
Transfer from student financial assistance program for undergraduate internships and graduate assistantships	221
Employee mileage reimbursement rate increase	173
Virginia Sickness and Disability Program rate increase	172
Agricultural education program	150
Other	<u>70</u>
Total adjustments	<u>(789)</u>
Total adjusted appropriation	<u>\$ 261,798</u>

21. GRANTS AND CONTRACTS CONTINGENCIES

The university has received federal 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 expenditure 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 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 allowance 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.

22. FEDERAL DIRECT LENDING PROGRAM

The university participates in the Federal Direct Lending Program. Under this program, the university receives funds from the U.S. Department of Education for Stafford and Plus Parent Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges or refunded directly to the student.

These loan programs are treated as student payments with the university acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Assets*. The activity is included in the noncapital financing section of the *Statement of Cash Flows*. For the fiscal year ended June 30, 2007, cash provided by the program totaled \$80,731,000 and cash used by the program totaled \$80,537,000.

23. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The university is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance 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 in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

24. EXPENSES BY NATURAL CLASSIFICATION WITHIN FUNCTIONAL CLASSIFICATION

The university's operating expenses by functional classification were as follows for the year ended June 30, 2007 (all dollars in thousands):

	Compensation & Benefits	Contractual Services	Supplies & Materials	Travel	Other Operating Expenses	Scholarships & Fellowships	Sponsored Program Subcontracts	Total
Instruction	\$ 216,046	\$ 10,550	\$ 6,203	\$ 5,039	\$ 1,582	\$ 656	\$ 217	\$ 240,293
Research	139,233	14,699	16,782	8,712	3,866	8,170	18,064	209,526
Public service	47,302	16,591	3,266	5,921	1,093	99	1,885	76,157
Academic support	39,847	5,017	10,726	810	2,090	107	4	58,601
Student services	8,611	1,488	716	526	239	36	3	11,619
Institutional support	38,910	2,512	1,097	2,347	738	285	1	45,890
Operation and maintenance of plant	24,984	1,099	14,085	207	10,682	16	-	51,073
Student financial assistance	245	15	104	158	-	12,282	-	12,804
Auxiliary enterprises	<u>65,100</u>	<u>17,879</u>	<u>25,367</u>	<u>7,257</u>	<u>8,107</u>	<u>475</u>	<u>-</u>	<u>124,185</u>
Total before fees, costs and depreciation	<u>\$ 580,278</u>	<u>\$ 69,850</u>	<u>\$ 78,346</u>	<u>\$ 30,977</u>	<u>\$ 28,397</u>	<u>\$ 22,126</u>	<u>\$ 20,174</u>	<u>830,148</u>
Depreciation expense								52,782
Amortization expense								132
Loan administrative fees and collection costs								<u>53</u>
Total operating expenses								<u>\$ 883,115</u>

25. COMPONENT UNITS

The component units' statements on the following pages, and subsequent footnotes, comply with the General Accounting Standards Board (GASB) presentation format. Both Virginia Tech Foundation Inc. and Virginia Tech Services Inc. follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format.

Consolidating Statement of Net Assets

The financial position for the university's component units as of June 30, 2007

(all dollars in thousands):

	Virginia Tech Foundation	Virginia Tech Services	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ (11,615)	\$ 651	\$ (10,964)
Short-term investments	28,618	3,281	31,899
Accounts and contributions receivable, net	27,504	517	28,021
Notes receivable, net	632	-	632
Inventories	475	6,059	6,534
Prepaid expenses	341	152	493
Other assets	624	-	624
Total current assets	<u>46,579</u>	<u>10,660</u>	<u>57,239</u>
Noncurrent assets			
Cash and cash equivalents	91,854	-	91,854
Accounts and contributions receivable, net	39,107	-	39,107
Notes and deeds of trust receivable, net	16,669	-	16,669
Net investments in direct financing leases	7,590	-	7,590
Irrevocable trusts held by others, net	10,068	-	10,068
Long-term investments	593,344	-	593,344
Depreciable capital assets, net	111,086	1,053	112,139
Nondepreciable capital assets	18,628	-	18,628
Intangible assets, net	705	-	705
Other assets	5,250	-	5,250
Total noncurrent assets	<u>894,301</u>	<u>1,053</u>	<u>895,354</u>
Total assets	<u>940,880</u>	<u>11,713</u>	<u>952,593</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6,213	4,781	10,994
Accrued compensated absences	245	285	530
Deferred revenue	5,264	35	5,299
Long-term debt payable	19,936	239	20,175
Other liabilities	2	2,136	2,138
Total current liabilities	<u>31,660</u>	<u>7,476</u>	<u>39,136</u>
Noncurrent liabilities			
Accrued compensated absences	88	-	88
Deferred revenue	1,790	-	1,790
Long-term debt payable	94,441	316	94,757
Liabilities under trust agreements	36,563	-	36,563
Agency deposits held in trust	61,308	-	61,308
Other liabilities	7,753	-	7,753
Total noncurrent liabilities	<u>201,943</u>	<u>316</u>	<u>202,259</u>
Total liabilities	<u>233,603</u>	<u>7,792</u>	<u>241,395</u>
NET ASSETS			
Invested in capital assets, net of related debt	47,532	665	48,197
Restricted, nonexpendable	271,995	-	271,995
Restricted, expendable			
Scholarships, research, instruction, and other	321,025	-	321,025
Capital projects	42,509	-	42,509
Unrestricted	24,216	3,256	27,472
Total net assets	<u>\$ 707,277</u>	<u>\$ 3,921</u>	<u>\$ 711,198</u>

Consolidating Statement of Revenues, Expenses, and Changes in Net Assets

The university's component unit activity for the year ended June 30, 2007

(all dollars in thousands):

	Virginia Tech <u>Foundation</u>	Virginia Tech <u>Services</u>	Total Component <u>Units</u>
OPERATING REVENUES			
Gifts and contributions	\$ 53,170	\$ -	\$ 53,170
Auxiliary enterprise revenue			
Hotel Roanoke	18,969	-	18,969
River Course	1,137	-	1,137
Bookstore	-	24,918	24,918
Other revenues			
Rental income	13,192	-	13,192
Other	15,156	-	15,156
Total operating revenues	<u>101,624</u>	<u>24,918</u>	<u>126,542</u>
OPERATING EXPENSES			
Instruction	3,712	-	3,712
Research	4,759	-	4,759
Public service	4,017	-	4,017
Academic support	11,239	-	11,239
Institutional support			
Other university programs	19,132	-	19,132
Fund-raising	9,490	-	9,490
Management and general	2,540	-	2,540
Operation and maintenance of plant			
Operation and maintenance of plant	4,001	-	4,001
Research center costs	2,433	-	2,433
Student financial assistance	15,873	-	15,873
Auxiliary enterprises			
Hotel Roanoke	13,685	-	13,685
River Course	1,306	-	1,306
Bookstore	-	24,811	24,811
Depreciation expense	5,393	-	5,393
Other expenses	5,912	-	5,912
Total operating expenses	<u>103,492</u>	<u>24,811</u>	<u>128,303</u>
OPERATING INCOME (LOSS)	<u>(1,868)</u>	<u>107</u>	<u>(1,761)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income, net	14,673	-	14,673
Net gains on investments	59,649	-	59,649
Interest expense on debt related to capital assets	(3,769)	-	(3,769)
Net non-operating revenues	<u>70,553</u>	<u>-</u>	<u>70,553</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>68,685</u>	<u>107</u>	<u>68,792</u>
Change in valuation of split interest agreements	4,379	-	4,379
Capital grants and gifts	7,551	-	7,551
Gain on disposal of capital assets	276	-	276
Additions to permanent endowments	17,749	-	17,749
Other revenues (expenses)	(511)	-	(511)
Total other revenues, expenses, gains, or losses	<u>29,444</u>	<u>-</u>	<u>29,444</u>
Increase in net assets	98,129	107	98,236
Net assets—beginning of year	<u>609,148</u>	<u>3,814</u>	<u>612,962</u>
Net assets—end of year	<u>\$ 707,277</u>	<u>\$ 3,921</u>	<u>\$ 711,198</u>

COMPONENT UNIT FOOTNOTES

Contributions Receivable — Virginia Tech Foundation Inc.

The following summarizes unconditional promises to give at June 30, 2007 (*all dollars in thousands*):

Current receivables

Receivable in less than one year, net of discount	\$ 25,631
---	-----------

Noncurrent receivables

Receivable in one to five years, net of discount (\$4,910 in 2007)	35,673
Receivable in more than five years, net of discount (\$1,184 in 2007)	<u>3,336</u>
Total noncurrent contributions receivable before allowance	39,009
Less allowance for uncollectible contributions	<u>2,724</u>
Net noncurrent contributions receivable	<u>36,285</u>
Total contributions receivable	<u>\$ 61,916</u>

The discount rates ranged from 4.91% to 5.12% in 2007. The weighted average discount rate was 4.51% in 2007. As of June 30, 2007, there were no conditional promises to give.

Investments — Virginia Tech Foundation Inc.

Investments by type of security at June 30, 2007 (*all dollars in thousands*):

Short-term investments

	<u>Cost</u>	<u>Fair value</u>
U.S. government treasuries	\$ 27,420	\$ 27,627
U.S. government agencies	<u>991</u>	<u>991</u>
Total short-term	<u>28,411</u>	<u>28,618</u>

Long-term investments

Cash and cash equivalents	28,264	28,264
U. S. government treasuries	11,104	11,056
U. S. government agencies	20,997	20,875
State, county & municipal securities	7,208	6,307
Corporate debt securities	17,762	17,080
Common and preferred stock	199,149	263,524
Partnerships & other joint ventures	114,294	145,086
Foreign securities	51,765	72,207
Real estate	23,104	23,641
Other	<u>5,304</u>	<u>5,304</u>
Total long-term	<u>478,951</u>	<u>593,344</u>
Total investments	<u>\$ 507,362</u>	<u>\$ 621,962</u>

As of June 30, 2007, long-term investments include investment assets held in internally-managed trust funds with a carrying value totaling \$62,758.

As of June 30, 2007, the foundation has committed to make additional capital contributions of approximately \$49,000 to various venture capital partnerships over the next five years.

During 2004, the foundation invested \$1,000 to become a member of a communications network infrastructure. Also, the foundation entered into an agreement to make additional investments in the communications network infrastructure over a four-year period. The foundation contributed \$800 in 2007, 2006, 2005, and 2004 under the agreement. Included in other investments as of June 30, 2007, is \$4,200 related to this communications network infrastructure. As of June 30, 2007, the foundation's remaining commitment was \$800.

The following tabulation summarizes changes in relationships between cost and fair value of investments:

	<u>Fair Value</u>	<u>Cost</u>	<u>Net gains (losses)</u>
June 30, 2007	\$ 621,962	\$ 507,362	\$ 114,600
June 30, 2006	539,765	480,554	<u>59,211</u>
Unrealized net gains for FY2007, including net gain on agency deposits held in trust of \$6,388			55,389
Realized net gains for FY2007, including net gains on agency deposits held in trust of \$1,968			<u>4,537</u>
Total net gains for FY2007, including net gains on agency deposits held in trust of \$8,356			<u>\$ 59,926</u>

Investment management fees incurred in 2007 totaled \$1,763.

COMPONENT UNIT FOOTNOTES (continued)**Land, Buildings, and Equipment — Virginia Tech Foundation Inc.**

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

Depreciable capital assets

Buildings	\$ 133,625
Equipment and other	20,175
Land improvements	<u>3,796</u>
Total depreciable capital assets, at cost	157,596
Less accumulated depreciation	<u>46,510</u>
Total depreciable capital assets, net of accumulated depreciation	<u>111,086</u>

Nondepreciable capital assets

Land	9,332
Vintage and other collection items	4,489
Livestock	2,490
Construction in process	<u>2,317</u>
Total nondepreciable capital assets	<u>18,628</u>
Total capital assets, net of accumulated depreciation	<u>\$ 129,714</u>

As of June 30, 2007 outstanding contractual commitments for projects under construction approximated \$723.

Long-term Debt Payable — Virginia Tech Foundation Inc.**Notes payable**

The following is a summary of outstanding notes payable at June 30, 2007 (all dollars in thousands):

Unsecured commercial note payable due September 10, 2014, plus interest at 4.65%	\$ 1,126
Unsecured variable rate commercial note payable due June 30, 2008 with automatic yearly renewal, plus interest at the 30-day LIBOR rate plus 35 basis points (5.67% at June 30, 2007), principal balance not to exceed \$13.8 million	12,265
Unsecured variable rate promissory note payable due June 1, 2023, plus interest determined weekly by the remarketing agent based on current market conditions (5.37% at June 30, 2007), principal balance not to exceed \$55 million	18,750
Unsecured variable rate commercial note payable due January 31, 2008, plus interest at the 30-day LIBOR rate plus 25 basis points (5.57% at June 30, 2007), principal balance not to exceed \$4 million	1,773
Secured variable rate promissory note payable upon sale of collateral, or receipt of any insurance payment due to destruction of collateral, plus interest at the LIBOR rate plus 125 basis points (6.57% at June 30, 2007), collateralized by interest in a Citation V Ultra airplane	<u>832</u>
Total VTF notes payable	<u>34,746</u>
Unsecured note payable upon the sale of the hotel and repayment of all debt of the hotel and the Hotel Roanoke Foundation (HRF)	1,775
Unsecured note payable to the City of Roanoke Redevelopment and Housing Authority due in aggregate annual installments of \$497, including interest at 4.048%, guaranteed by the U.S. Department of Housing and Urban Development, maturing June 30, 2014	<u>3,337</u>
Total HRF notes payable	<u>5,112</u>
Total notes payable	<u>\$ 39,858</u>

COMPONENT UNIT FOOTNOTES (continued)

During 2003, the foundation used proceeds from borrowings on notes payable totaling \$13,800 to loan to an unrelated party through a promissory note receivable for that unrelated party to use to purchase the University Mall building located in Blacksburg, Virginia. The promissory note receivable earns interest at a fixed rate of 6.18% through June 30, 2013 and 6.96% thereafter through June 30, 2023, the maturity date. The promissory note receivable is secured by a first deed of trust in the real property of the University Mall building, as well as the assignment of leases and rents, security agreements and fixture filing statements.

To comply with the terms of the \$55 million unsecured variable rate note agreement, the foundation maintains a back-up line of credit with a lender in the amount of \$55 million at an annual fee of 0.08% of the total commitment. The total commitment as of June 30, 2007, was \$20.7 million. As of June 30, 2007, no funds were outstanding under this commitment.

The aggregate annual maturities of notes payable for each of the five years and thereafter subsequent to June 30, 2007, are (all dollars in thousands):

2008	\$ 16,261
2009	1,960
2010	1,574
2011	4,200
2012	1,327
Later years or as cash becomes available from hotel net operating income	<u>14,536</u>
Total notes payable	<u>\$ 39,858</u>

Bonds payable

HRF is obligated under City of Roanoke Redevelopment and Housing Authority Taxable Redevelopment Revenue Term Bonds (Series 1998). Bond proceeds were used to prepay the first mortgage notes payable to a lender group and provide long-term financing for the renovation of the Hotel Roanoke. On June 2, 2003, the bonds were remarketed to VTREF and the new term rate of 4.10% will extend through May 31, 2008. The Term Bonds are subject to mandatory annual sinking fund redemption through 2018 in varying amounts ranging from \$255 to \$490 and are guaranteed by HRLLC. The Term Bonds are eliminated for consolidation purposes as of June 30, 2007.

The foundation is obligated under Industrial Development Authority of Craig County, Virginia Variable Rate Demand Revenue Refunding Bonds (Series 2000). Bond proceeds are used to finance the construction of office facilities and laboratory space to be leased to the university. The Series 2000 bonds, which mature on November 1, 2020, bear a fixed interest rate of 3.55%.

The foundation is obligated under Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Refunding bonds dated June 28, 2001 (Series 2001B). Bond proceeds were used to refinance the Series 1986 bonds. The bonds, which mature on December 1, 2007, bear a variable interest rate, which including remarketing and credit enhancement fees, was 4.135% at June 30, 2007.

The foundation is obligated under Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds dated August 25, 2005 (Series 2005). Bond proceeds were used to refinance the Series 2001A and Series 2002A bonds. The remainder was used to finance the construction of and equipment purchases for three facilities to be used in support of the university. The bonds, which mature June 1, 2035, bear a variable interest rate, which including remarketing and credit enhancement fees, was 4.055% at June 30, 2007.

The foundation is obligated under Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds dated January 23, 2007 (Series 2007). Bond proceeds were used to finance the construction of several facilities to be used in support of the university. The bonds, which mature June 1, 2027, bear a variable interest rate, which including broker-dealer commission fees, was 3.860% at June 30, 2007.

<p>Principal amounts outstanding for these bonds as of June 30, 2007, are (all dollars in thousands):</p> <p><i>Bond Series:</i></p> <table> <tr> <td>Series 2000</td> <td style="text-align: right;">\$ 2,964</td> </tr> <tr> <td>Series 2001B</td> <td style="text-align: right;">355</td> </tr> <tr> <td>Series 2005</td> <td style="text-align: right;">45,980</td> </tr> <tr> <td>Series 2007</td> <td style="text-align: right;"><u>25,220</u></td> </tr> <tr> <td>Total bonds payable</td> <td style="text-align: right;"><u>\$ 74,519</u></td> </tr> </table>	Series 2000	\$ 2,964	Series 2001B	355	Series 2005	45,980	Series 2007	<u>25,220</u>	Total bonds payable	<u>\$ 74,519</u>	<p>The aggregate annual maturities of bonds payable for each of the five years and thereafter subsequent to June 30, 2007, are as follows (all dollars in thousands):</p> <table> <tr> <td>2008</td> <td style="text-align: right;">\$ 3,676</td> </tr> <tr> <td>2009</td> <td style="text-align: right;">3,802</td> </tr> <tr> <td>2010</td> <td style="text-align: right;">3,679</td> </tr> <tr> <td>2011</td> <td style="text-align: right;">3,845</td> </tr> <tr> <td>2012</td> <td style="text-align: right;">3,987</td> </tr> <tr> <td>Later years</td> <td style="text-align: right;"><u>55,530</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>\$ 74,519</u></td> </tr> </table>	2008	\$ 3,676	2009	3,802	2010	3,679	2011	3,845	2012	3,987	Later years	<u>55,530</u>	Total	<u>\$ 74,519</u>
Series 2000	\$ 2,964																								
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2011	3,845																								
2012	3,987																								
Later years	<u>55,530</u>																								
Total	<u>\$ 74,519</u>																								

To comply with the terms of the 2001B bond agreement, the foundation maintains a letter of credit with a lender in the amount of \$360 at annual fees equal to 0.22% of the total commitment. At June 30, 2007, no funds were outstanding under this commitment.

COMPONENT UNIT FOOTNOTES (continued)

To comply with the terms of the Series 2005 bond agreement, the foundation maintains a letter of credit with a lender in the amount of \$48,753 at annual fees equal to 0.20% of the total commitment. At June 30, 2007, no funds were outstanding under this commitment.

Effective September 23, 1998, the foundation entered into two separate interest rate swap agreements with a lending institution. These agreements were based on the principal balances (notional amounts) for the Series 1986 and 1987 bond issues, and the Series 1990 bond issue, which were refinanced by the Series 2001A and Series 2001B bonds. The foundation participates as a fixed rate payer, with a fixed interest rate of 3.94% for seven-year and ten-year periods ending October 1, 2005 and 2008, respectively. The lending institution participates as a floating rate payer, with a variable interest rate which is calculated based on the Bond Market Association (BMA) Municipal Swap Index, and was 3.73% at June 30, 2007. Net interest expense associated with these transactions was \$4 for fiscal year 2007. The estimated fair value of the interest rate swap agreements as of June 30, 2007 approximated \$2, in favor of the lending institution.

Effective April 1, 2003, the foundation entered into an interest rate swap agreement with a lending institution. The agreement was based on the principal balance (notional amounts) for a promissory note payable. The foundation participates as a fixed rate payer, with a fixed interest rate of 3.715% for a seven-year term ending February 1, 2010. The lending institution participates as a floating rate payer, with a variable interest rate which is calculated based on the LIBOR and was 5.32% at June 30, 2007. Net interest (income) expense associated with these transactions was (\$44) for fiscal year 2007. The estimated fair value of the interest rate swap agreements approximated \$101 as of June 30, 2007 in favor of the foundation.

Effective September 1, 2005, the foundation entered into an interest rate swap agreement with a lending institution. This agreement was based on the principal balances (notional amounts) for the Series 2002A bond issues, which were refinanced by the Series 2005 bonds. The foundation participates as a fixed rate payer, with a fixed rate of 3.265% for a 17-year term ending June 30, 2022. The lending institution participates as a floating rate payer, with a floating interest which is calculated based on the weighted average of 70% of USD-LIBOR-BBA and was 3.724% at June 30, 2007. Net interest (income) expense associated with these transactions was (\$110) for fiscal year 2007. The estimated fair value of the interest rate swap agreement approximated \$860 as of June 30, 2007 in favor of the foundation.

On September 1, 2005, the foundation entered into two separate interest rate swap agreements with a lending institution. These agreements were based on the principal balances (notional amounts) for the Series 2005 bond issue and are effective September 1, 2006. The foundation participates as a fixed rate payer, with a fixed rate of 3.035% and 3.2125% ending August 1, 2010 and June 1, 2025, respectively. The lending institution participates as a floating rate payer, with a floating interest rate which is calculated based on the weighted average of 70% of USD-LIBOR-BBA and was 3.724% at June 30, 2007. Net interest income associated with those transactions was \$85 for fiscal year 2007. The estimated fair value of the interest rate swap agreements approximated \$729 as of June 30, 2007 in favor of the foundation.

Effective March 12, 2007, the foundation entered into two separate interest rate swap agreements with a lending institution. These agreements were based on the principal balances (notional amounts) for the Series 2007 bond issue. The foundation participates as a fixed rate payer, with a fixed rate of 3.736% and 3.467% ending June 1, 2027 and June 1, 2012, respectively. The lending institution participates as a floating rate payer, with a floating interest rate which is calculated based on the weighted average of USD-BMA Municipal Swap Index and was 3.70333% at June 30, 2007. Net interest income associated with these transactions was \$7 for fiscal year 2007. The estimated fair value of the interest rate swaps agreements approximated \$577 as of June 30, 2007 in favor of the foundation.

Total interest expense incurred on notes payable and bonds payable in 2007 totaled \$3,843.

Agency Deposits Held in Trust—Virginia Tech Foundation Inc.

Under an agreement between the university and the foundation, the foundation serves as agent in connection with the investment, management, and administration of the Pratt Estate Funds and Donaldson Brown Endowment Funds. In addition, the foundation serves as agent and maintains investments for the Virginia Tech Alumni Association Inc., Virginia Tech Services Inc., and certain other associations.

A summary of agency deposits held in trust for the year ending June 30, 2007 is presented as follows (*all dollars in thousands*):

University—Pratt Estate	\$ 46,474
University—Donaldson Brown Endowment	864
University—Other	773
Virginia Tech Alumni Association Inc.	4,689
Virginia Tech Services Inc.	3,281
Other	<u>5,227</u>
Total agency deposits held in trust	<u>\$ 61,308</u>

26. JOINT VENTURES

The Hotel Roanoke Conference Center Commission was created by a joint resolution of the university and the City of Roanoke. The purpose of the commission is to establish and operate a publicly owned conference center in the City of Roanoke adjacent to the renovated Hotel Roanoke. The powers of the commission are vested in commissioners. Each participating governing body appoints three commissioners for a total of six commissioners. The commission has the authority to issue debt, and such debt is the responsibility of the commission. The intention of the commission is to be self-supporting through its user fees. The university and the City of Roanoke equally share in any operating deficit or additional funding needed for capital expenditures. The university made contributions of \$100,000 using private funds to the commission for the fiscal year ended June 30, 2007.

27. JOINTLY GOVERNED ORGANIZATIONS

Blacksburg-Christiansburg & VPI Water Authority

Created by a concurrent resolution of the university and the towns of Blacksburg and Christiansburg, the authority operates and maintains the water supply system for the university and the other participating governing bodies. A five-member board governs the authority with one member appointed by each governing body and two at-large members appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid \$527,000 to the authority for the purchase of water for the fiscal year ended June 30, 2007.

Blacksburg-VPI Sanitation Authority

Created by a concurrent resolution of the university and the town of Blacksburg, the authority operates and maintains the wastewater treatment system for the participating governing bodies. Each participating governing body appoints one member of the five-member board of directors. Three at-large members are appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid \$584,000 to the authority for the purchase of sewer services for the fiscal year ended June 30, 2007.

Montgomery Regional Solid Waste Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, the authority represents its members in solid waste and recycling issues as well as operating a recycling facility. The authority is governed by its board with each participating governing body appointing one board member, and all governing bodies jointly appointing the fifth at-large member. Each governing body provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials

to the authority for disposal of the waste, and the processing and marketing of the recyclables. All indebtedness is the obligation of the authority and payable from its revenues. The university paid \$265,000 to the authority for tipping fees for the fiscal year ended June 30, 2007.

Virginia Tech/Montgomery Regional Airport Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority serves to develop a regional airport based on the mission of servicing corporate executive markets and other general aviation markets; obtaining grants, loans and other funding for airport improvements and other activities; and in promoting and assisting in regional economic development. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. All indebtedness is the obligation of the authority and payable from its revenues. The university's funding commitment for fiscal year 2007 was \$50,000, all of which Virginia Tech paid to the authority.

28. PENDING LITIGATION

The university has been named as a defendant in a number of lawsuits. The final outcome of any of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the university may be exposed will not have a material effect upon the university's financial position.

29. SUBSEQUENT EVENTS

On October 10, 2007, the Virginia College building Authority (VCBA), on behalf of the university, issued \$3,880,000 in 9(d) debt. Proceeds from this debt will be used to provide partial funding for the Campus Heat Plant project. The estimated total cost of the project is \$28,750,000, with the balance to be funded by additional debt issued at a later date, university and auxiliary cash, and state general fund appropriations. Also on October 10, 2007, VCBA, on behalf of the university, issued an additional \$15,590,000 in 9(d) debt. Proceeds from this debt will be used to partially refund principal and interest payments related to series 1998A, series 2000A, series 2001A, and series 2002A bonds. Refunded principal will total \$15,195,000. The note obligations between the university and VCBA related to these debt issues will be adjusted accordingly.

30. SPECIAL AND EXTRAORDINARY EVENTS

Virginia Tech experienced an unusual event on April 16, 2007. The university's actions in response to this tragic event continue into the new fiscal year. The physical costs resulting from the event and the university's subsequent actions are not fully known at this time but are not considered material to the financial statements.

Virginia Tech Foundation Inc.

The purpose of Virginia Tech Foundation Inc. is to receive, invest, and manage private funds given for the support of programs at Virginia Tech and to foster and promote the growth, progress, and general welfare of the university. During the current fiscal year, the foundation recognized \$78.5 million in contributions for support of the university. Investment income of \$14.7 million, along with net gains on investments of \$59.9 million, resulted in a \$74.6 million gain on investments. Property rental, hotel operating, and golf course income totaled \$33.3 million. Other income accounted for \$15.1 million.

Total income of \$201.5 million was offset by \$107.3 million in expenses that supported the university and its programs. Direct support to various university programs aggregated \$67.5 million, which included \$15.9 million in scholarship support to students and faculty and \$6.0 million towards university capital projects. Additional expenses such as fund-raising and management and general, as well as research center, hotel operating, golf course, and other costs totaled \$39.8 million. Total net assets increased by \$98.1 million over the previous year.

The graphs below are categorized as presented in the audited financial statements for the foundation which follows the Financial Accounting Standards Board (FASB) presentation requirements (*all dollars in millions*):

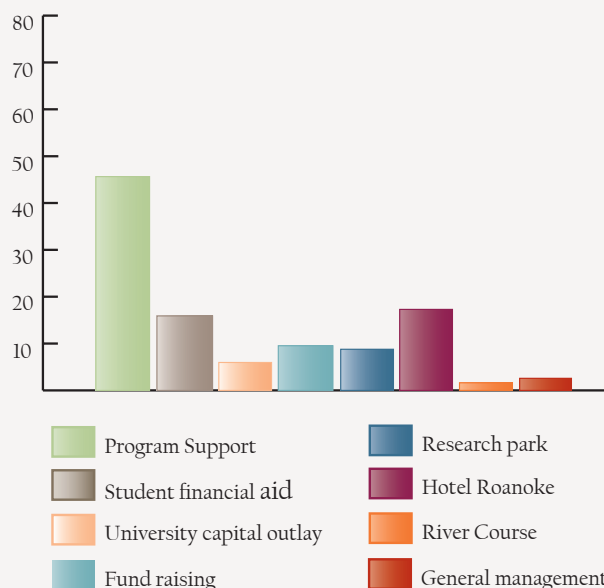
VTF Revenues, Gains and Other Support

For the year ended June 30, 2007



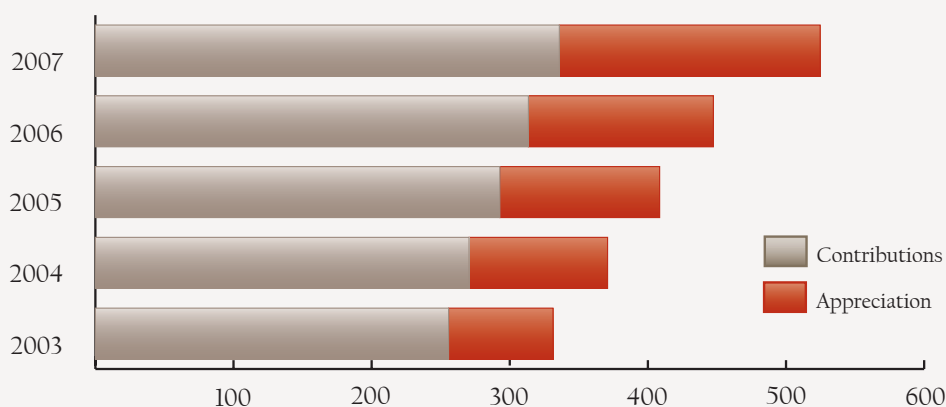
VTF Expenses

For the year ended June 30, 2007



VTF Endowment Market Value

Fiscal years 2007 - 2003



*Market value of endowment funds includes agency deposits held in trust of \$61.3 million.
(Source: Virginia Tech Investment Managers, unaudited)

Consolidating Schedule of Net Assets

As of June 30, 2007 (all dollars in thousands)

	Current Funds		Loan Funds	Endowment & Similar Funds	Plant Funds	Agency Funds	Total
	Unrestricted	Restricted					
ASSETS							
Current assets							
Cash and cash equivalents	\$ 109,879	\$ 34,622	\$ 1,478	\$ -	\$ -	\$ 7,459	\$ 153,438
Cash equivalents, securities lending	697	-	-	-	-	-	697
Investments, securities lending	2,747	-	-	-	-	-	2,747
Short-term investments	804	-	-	-	-	-	804
Accounts receivable, net	3,621	34,164	1	-	-	-	37,786
Notes receivable	-	-	1,122	-	-	-	1,122
Due from Commonwealth of Virginia	12,702	-	-	-	-	-	12,702
Inventories	11,868	-	-	-	-	-	11,868
Prepaid expenses	6,485	544	-	-	-	4	7,033
Due to (from) other funds	30,232	(16,131)	(70)	734	(14,765)	-	-
Total current assets	<u>179,035</u>	<u>53,199</u>	<u>2,531</u>	<u>734</u>	<u>(14,765)</u>	<u>7,463</u>	<u>228,197</u>
Noncurrent assets							
Cash and cash equivalents	-	-	-	61	160,618	-	160,679
Due from Commonwealth of Virginia	-	-	-	-	5,019	-	5,019
Short-term investments	-	-	-	-	4,958	-	4,958
Accounts receivable, net	-	-	-	-	4,870	-	4,870
Notes receivable	-	-	13,768	-	-	-	13,768
Long-term investments	9,309	-	-	48,246	5,971	-	63,526
Depreciable capital assets, net	-	-	-	-	686,077	-	686,077
Nondepreciable capital assets	-	-	-	209	127,413	-	127,622
Intangible assets, net	-	-	-	-	1,600	-	1,600
Other assets	236	-	-	-	183	-	419
Total noncurrent assets	<u>9,545</u>	<u>-</u>	<u>13,768</u>	<u>48,516</u>	<u>996,709</u>	<u>-</u>	<u>1,068,538</u>
Total assets	<u>188,580</u>	<u>53,199</u>	<u>16,299</u>	<u>49,250</u>	<u>981,944</u>	<u>7,463</u>	<u>1,296,735</u>
LIABILITIES							
Current liabilities							
Accounts payable/accrued expenditures	61,995	16,485	2	-	22,611	548	101,641
Obligations under securities lending	3,444	-	-	-	-	-	3,444
Accrued compensated absences	13,919	2,789	-	-	-	-	16,708
Deferred revenue	22,671	14,061	-	-	-	-	36,732
Funds held in custody for others	-	-	-	-	-	6,915	6,915
Long-term debt payable	-	-	-	-	17,903	-	17,903
Other liabilities	10	-	-	15	-	-	25
Total current liabilities	<u>102,039</u>	<u>33,335</u>	<u>2</u>	<u>15</u>	<u>40,514</u>	<u>7,463</u>	<u>183,368</u>
Noncurrent liabilities							
Accrued compensated absences	17,178	3,442	-	-	-	-	20,620
Federal student loan program contributions refundable	-	-	13,278	-	-	-	13,278
Long-term debt payable	-	-	-	-	260,655	-	260,655
Other liabilities	804	-	-	58	-	-	862
Total noncurrent liabilities	<u>17,982</u>	<u>3,442</u>	<u>13,278</u>	<u>58</u>	<u>260,655</u>	<u>-</u>	<u>295,415</u>
Total liabilities	<u>120,021</u>	<u>36,777</u>	<u>13,280</u>	<u>73</u>	<u>301,169</u>	<u>7,463</u>	<u>478,783</u>
NET ASSETS							
Invested in capital assets, net of related debt	-	-	-	-	569,723	-	569,723
Restricted, nonexpendable	-	-	-	356	-	-	356
Restricted, expendable							
Scholarships, research & instruction	-	16,422	3,019	48,821	-	-	68,262
Capital projects	-	-	-	-	52,280	-	52,280
Debt service	-	-	-	-	38,503	-	38,503
Unrestricted	68,559	-	-	-	20,269	-	88,828
Total net assets	<u>\$ 68,559</u>	<u>\$ 16,422</u>	<u>\$ 3,019</u>	<u>\$ 49,177</u>	<u>\$ 680,775</u>	<u>\$ -</u>	<u>\$ 817,952</u>

Consolidating Schedule of Revenues, Expenses, and Changes in Net Assets

For the year ended, June 30, 2007 (all dollars in thousands)

	Current Funds		Loan Funds	Endowment & Similar Funds	Plant Funds	Total
	Unrestricted	Restricted				
OPERATING REVENUES						
Student tuition and fees	\$ 227,280	\$ 120	\$ -	\$ -	\$ -	\$ 227,400
Federal appropriations	-	15,543	-	-	-	15,543
Federal grants and contracts	26,801	114,601	-	-	665	142,067
State grants and contracts	1,006	16,948	-	-	-	17,954
Local grants and contracts	327	13,578	-	-	-	13,905
Nongovernmental grants and contracts	4,010	17,172	-	-	466	21,648
Sales and services of educational departments	12,187	-	-	-	-	12,187
Auxiliary enterprise revenue	142,490	6	-	-	-	142,496
Other operating revenues	2,270	596	36	-	(232)	2,670
Total operating revenues	<u>416,371</u>	<u>178,564</u>	<u>36</u>	<u>-</u>	<u>899</u>	<u>595,870</u>
OPERATING EXPENSES						
Instruction	233,709	6,584	-	-	-	240,293
Research	68,566	140,960	-	-	-	209,526
Public service	41,199	34,958	-	-	-	76,157
Academic support	56,289	2,312	-	-	-	58,601
Student services	10,975	644	-	-	-	11,619
Institutional support	41,996	3,894	-	-	-	45,890
Operation and maintenance of plant	44,845	5	-	-	6,223	51,073
Student financial assistance	(459)	13,263	-	-	-	12,804
Auxiliary enterprises	124,185	-	-	-	-	124,185
Loan administrative fees & collection costs	-	-	53	-	-	53
Amortization expense	-	-	-	-	132	132
Depreciation expense	-	-	-	-	52,782	52,782
Total operating expenses	<u>621,305</u>	<u>202,620</u>	<u>53</u>	<u>-</u>	<u>59,137</u>	<u>883,115</u>
OPERATING LOSS	<u>(204,934)</u>	<u>(24,056)</u>	<u>(17)</u>	<u>-</u>	<u>(58,238)</u>	<u>(287,245)</u>
NON-OPERATING REVENUES (EXPENSES)						
State appropriations	236,284	25,514	-	-	-	261,798
Gifts	13,944	28,547	81	-	-	42,572
Non-operating grants and contracts	-	6,836	-	-	-	6,836
Investment income, net of investment expense	3,004	(68)	6	7,176	4,398	14,516
Other additions (deductions)	-	-	4	(58)	(417)	(471)
Interest on capital assets	-	-	-	-	(11,411)	(11,411)
Total non-operating revenues (expenses)	<u>253,232</u>	<u>60,829</u>	<u>91</u>	<u>7,118</u>	<u>(7,430)</u>	<u>313,840</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES						
	<u>48,298</u>	<u>36,773</u>	<u>74</u>	<u>7,118</u>	<u>(65,668)</u>	<u>26,595</u>
Capital appropriations	-	-	-	-	55,966	55,966
Capital grants and contracts	(370)	1,629	-	-	66,267	67,526
Gains on disposal of plant assets	-	-	-	-	(1,179)	(1,179)
Total other revenues, expenses, gains and losses	<u>(370)</u>	<u>1,629</u>	<u>-</u>	<u>-</u>	<u>121,054</u>	<u>122,313</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>47,928</u>	<u>38,402</u>	<u>74</u>	<u>7,118</u>	<u>55,386</u>	<u>148,908</u>
Mandatory transfers	(35,908)	(118)	-	-	36,026	-
Nonmandatory transfers	(19,073)	1,433	-	(1,688)	19,328	-
Equipment and library book transfers	(16,688)	(7,362)	-	-	24,050	-
Scholarship allowance transfer	28,419	(28,419)	-	-	-	-
Total transfers	<u>(43,250)</u>	<u>(34,466)</u>	<u>-</u>	<u>(1,688)</u>	<u>79,404</u>	<u>-</u>
Increase in net assets after transfers	<u>4,678</u>	<u>3,936</u>	<u>74</u>	<u>5,430</u>	<u>134,790</u>	<u>148,908</u>
Net assets – beginning of year (as restated)	<u>63,881</u>	<u>12,486</u>	<u>2,945</u>	<u>43,747</u>	<u>545,985</u>	<u>669,044</u>
Net assets – end of year	<u>\$ 68,559</u>	<u>\$ 16,422</u>	<u>\$ 3,019</u>	<u>\$ 49,177</u>	<u>\$ 680,775</u>	<u>\$ 817,952</u>

Affiliated Corporations Financial Highlights

For the years ended June 30, 2007-2003

(all dollars in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets					
Virginia Tech Foundation Inc.	\$ 940,879	\$ 808,912	\$ 728,006	\$ 670,353	\$ 613,456
Virginia Tech Services Inc.	11,713	8,861	10,335	9,760	10,938
Virginia Tech Intellectual Properties Inc.	<u>726</u>	<u>1,180</u>	<u>1,569</u>	<u>2,341</u>	<u>1,685</u>
Total Assets	<u>\$ 953,318</u>	<u>\$ 818,953</u>	<u>\$ 739,910</u>	<u>\$ 682,454</u>	<u>\$ 626,079</u>
Revenues					
Virginia Tech Foundation Inc.	\$ 201,521	\$ 167,458	\$ 151,870	\$ 133,802	\$ 92,611
Virginia Tech Services Inc.	24,918	21,946	22,622	20,396	19,831
Virginia Tech Intellectual Properties Inc.	<u>1,193</u>	<u>779</u>	<u>1,129</u>	<u>1,261</u>	<u>1,004</u>
Total Revenues	<u>\$ 227,632</u>	<u>\$ 190,183</u>	<u>\$ 175,621</u>	<u>\$ 155,459</u>	<u>\$ 113,446</u>
Expenses					
Virginia Tech Foundation Inc.	\$ 103,393	\$ 102,663	\$ 96,936	\$ 84,077	\$ 94,381
Virginia Tech Services Inc.	23,312	22,338	22,773	20,840	20,128
Virginia Tech Intellectual Properties Inc.	<u>1,708</u>	<u>954</u>	<u>1,095</u>	<u>1,090</u>	<u>979</u>
Total Expenses	<u>\$ 128,413</u>	<u>\$ 125,955</u>	<u>\$ 120,804</u>	<u>\$ 106,007</u>	<u>\$ 115,488</u>

The organizations included above are related to the university by affiliation agreements. These agreements, approved by the Virginia Tech Board of Visitors, require an annual audit to be performed by independent auditors. Such auditors have examined the financial records of the organizations presented in the table above and copies of their audit reports have been provided to the university. Values presented in this table are based solely upon these audit reports and do not include any consolidation entries to alter these amounts. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. The Virginia Tech Athletic Fund Inc., the Virginia Tech Corps of Cadets Alumni Inc., and the Virginia Tech Alumni Association meet exemption requirements and are not presented in this table.

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** Data in this schedule is presented for less than ten years, due to reporting format and definition changes mandated by GASB Statement 34. Information from prior years is not available in the prescribed format.*

SCHEDULE OF CHANGES IN NET ASSETS

Fiscal Years 2007 to 2001

(all dollars in thousands)

	For the year ended June 30						
	2007	2006	2005	2004	2003	2002	2001
Operating revenues							
Student tuition and fees, net (1)	\$ 227,400	\$ 214,322	\$ 199,052	\$ 181,545	\$ 159,419	\$ 137,689	\$ 130,514
Federal appropriations	15,543	11,969	11,012	10,653	14,382	13,394	13,592
Federal grants and contracts	142,067	133,876	120,248	106,866	107,400	87,323	76,513
State grants and contracts	17,954	15,815	14,079	13,372	14,256	13,240	12,113
Local grants and contracts	13,905	13,317	12,497	11,576	12,389	13,165	12,453
Nongovernmental grants and contracts	21,648	18,756	16,668	18,112	23,599	21,603	18,467
Sales, services of educational & other activities	12,187	12,016	11,614	10,224	9,223	8,951	8,981
Sales, services of auxiliary enterprises, net (2)	142,496	121,022	113,142	103,964	99,182	95,555	90,541
Other operating revenues	2,670	2,724	2,607	2,459	2,230	2,599	1,297
Total operating revenues	<u>595,870</u>	<u>543,817</u>	<u>500,919</u>	<u>458,771</u>	<u>442,080</u>	<u>393,519</u>	<u>364,471</u>
Operating expenses							
Instruction	240,293	218,663	205,355	191,272	198,136	207,475	196,941
Research	209,526	185,848	169,636	159,751	153,355	142,002	129,519
Public service	76,157	72,421	64,787	59,485	63,369	74,309	68,987
Academic support	58,601	55,379	48,944	46,378	43,731	43,922	39,198
Student services	11,619	12,801	11,628	13,771	14,298	14,477	14,218
Institutional support	45,890	45,407	39,203	30,270	31,470	34,098	34,774
Operation and maintenance of plant	51,073	50,124	41,474	42,906	36,811	38,918	38,707
Student financial assistance, net (3)	12,804	10,825	11,152	11,982	11,996	12,012	13,084
Auxiliary enterprises	124,185	113,368	102,016	96,058	87,761	84,384	82,197
Depreciation	52,781	50,255	47,561	45,532	44,086	44,880	46,823
Amortization	132	133	133	-	-	-	-
Other operating expenses	53	30	32	58	204	47	38
Total operating expenses	<u>883,115</u>	<u>815,254</u>	<u>741,921</u>	<u>697,463</u>	<u>685,217</u>	<u>696,524</u>	<u>664,486</u>
Operating income (loss)	<u>(287,245)</u>	<u>(271,437)</u>	<u>(241,002)</u>	<u>(238,692)</u>	<u>(243,137)</u>	<u>(303,005)</u>	<u>(300,015)</u>
Non-operating revenues (expenses)							
State appropriations	261,798	239,567	227,133	205,013	214,478	252,387	263,031
Gifts	42,572	42,322	36,820	34,307	31,360	41,088	41,854
Non-operating grants and contracts	6,836	4,516	3,052	2,000	2,516	-	-
Investment income, net	14,516	7,255	5,849	6,257	3,223	327	3,722
Other additions (deductions)	(471)	648	248	53	125	116	-
Interest expense, debt related to capital assets	(11,411)	(9,632)	(8,740)	(8,227)	(8,245)	(7,805)	(7,438)
Total non-operating revenues (expenses)	<u>313,840</u>	<u>284,676</u>	<u>264,362</u>	<u>239,403</u>	<u>243,457</u>	<u>286,113</u>	<u>301,169</u>
Income before other changes in net assets	<u>26,595</u>	<u>13,239</u>	<u>23,360</u>	<u>711</u>	<u>320</u>	<u>(16,892)</u>	<u>1,154</u>
Capital appropriations	55,966	8,272	11,679	49,495	28,315	13,289	22,357
Capital grants and gifts	67,526	19,310	22,414	12,452	33,044	13,286	13,940
Gain (loss) on disposal of capital assets	(1,179)	(1,450)	1,380	(1,592)	(789)	(1,804)	(2,920)
Other revenues (expenses)	-	-	-	-	(3,717)	(444)	(33,722)
Total change in net assets	<u>\$ 148,908</u>	<u>\$ 39,371</u>	<u>\$ 58,833</u>	<u>\$ 61,066</u>	<u>\$ 57,173</u>	<u>\$ 7,435</u>	<u>\$ 809</u>
(1) Student tuition and fees	\$ 272,041	\$ 252,986	\$ 231,991	\$ 209,232	\$ 183,439	\$ 158,361	\$ 149,483
Scholarship allowances	(44,641)	(38,664)	(32,939)	(27,687)	(24,020)	(20,672)	(18,969)
Student tuition and fees, net	\$ 227,400	\$ 214,322	\$ 199,052	\$ 181,545	\$ 159,419	\$ 137,689	\$ 130,514
(2) Sales and services of auxiliary enterprises	\$ 153,564	\$ 130,479	\$ 124,000	\$ 113,415	\$ 108,169	\$ 104,610	\$ 98,476
Scholarship allowances	(11,068)	(9,457)	(10,858)	(9,451)	(8,987)	(9,055)	(7,935)
Sales and services of aux. enterprises, net	\$ 142,496	\$ 121,022	\$ 113,142	\$ 103,964	\$ 99,182	\$ 95,555	\$ 90,541
(3) Student financial assistance expenses	\$ 68,513	\$ 58,946	\$ 54,949	\$ 49,120	\$ 45,003	\$ 41,739	\$ 39,988
Total scholarship allowances	(55,709)	(48,121)	(43,797)	(37,138)	(33,007)	(29,727)	(26,904)
Student financial assistance, net	\$ 12,804	\$ 10,825	\$ 11,152	\$ 11,982	\$ 11,996	\$ 12,012	\$ 13,084

SCHEDULE OF NET ASSETS BY COMPONENT

Fiscal Years 2007 to 2001
(all dollars in thousands)

	For the year ended June 30						
	2007	2006	2005	2004	2003	2002	2001
Invested in capital assets, net of related debt	\$ 569,723	\$ 496,782	\$ 465,088	\$ 420,387	\$ 388,086	\$ 344,070	\$ 341,118
Restricted - expendable	159,045	99,625	106,051	100,240	79,858	73,263	69,667
Restricted - nonexpendable	356	354	358	368	381	375	371
Unrestricted	88,828	72,283	58,176	49,217	39,142	30,813	29,930
Total net assets	<u>\$ 817,952</u>	<u>\$ 669,044</u>	<u>\$ 629,673</u>	<u>\$ 570,212</u>	<u>\$ 507,467</u>	<u>\$ 448,521</u>	<u>\$ 441,086</u>

SCHEDULE OF CAPITAL ASSET INFORMATION

Fiscal Years 2007 - 2002

	For the year ended June 30					
	2007	2006	2005	2004	2003	2002
Buildings						
Assignable square footage (in thousands)						
Academic/research						
Instruction	1,571	1,524	1,519	1,272	1,167	1,167
Research	750	699	677	641	626	623
Agricultural Experiment Station	104	104	95	218	218	218
Other	785	731	719	582	572	601
Total academic/research sq. ft.	<u>3,210</u>	<u>3,058</u>	<u>3,010</u>	<u>2,713</u>	<u>2,583</u>	<u>2,609</u>
General and administrative	185	185	185	150	149	156
Operations and maintenance	123	123	123	144	124	123
Student services	416	416	416	481	463	425
Athletic facilities	288	288	288	289	289	289
Dormitories	1,387	1,387	1,387	1,310	1,310	1,310
Dining facilities	177	177	177	175	175	175
Hotel and conference center	107	107	107	68	68	68
Library	179	179	179	217	217	217
Total assignable square footage	<u>6,072</u>	<u>5,920</u>	<u>5,872</u>	<u>5,547</u>	<u>5,378</u>	<u>5,372</u>
Other capital asset data						
Library volumes	2,296,043	2,265,236	2,237,106	2,210,645	2,176,916	2,137,042
Dormitories	46	46	46	45	45	45
Beds	9,123	9,130	9,113	8,925	8,921	8,922
Dining facilities	12	12	11	10	9	8
Average daily customers	30,000	22,222	21,333	20,444	19,556	18,667
Capital asset book value (all dollars in thousands)						
Buildings	\$ 754,431	\$ 719,623	\$ 630,198	\$ 560,819	\$ 499,339	\$ 478,510
Moveable equipment	337,101	313,747	300,273	290,288	282,407	277,677
Fixed equipment	65,197	60,729	57,645	41,507	39,323	39,060
Infrastructure	93,330	91,422	87,606	86,403	80,928	77,895
Library books	65,598	63,357	61,787	59,807	57,641	54,701
Total capital asset book value	<u>1,315,657</u>	<u>1,248,878</u>	<u>1,137,509</u>	<u>1,038,824</u>	<u>959,638</u>	<u>927,843</u>
Less accumulated depreciation						
Buildings	242,997	224,250	207,249	190,989	177,770	166,089
Moveable equipment	227,463	218,523	210,467	206,041	199,100	192,585
Fixed equipment	35,527	33,200	30,918	28,145	26,372	24,626
Infrastructure	71,317	68,760	66,153	63,753	59,782	56,823
Library books	52,276	49,689	46,958	44,244	41,348	38,616
Total accumulated depreciation	<u>629,580</u>	<u>594,422</u>	<u>561,748</u>	<u>532,992</u>	<u>504,372</u>	<u>478,739</u>
Nondepreciable capital assets						
Land	44,254	42,771	42,771	42,771	42,771	28,964
Livestock	701	807	761	951	779	824
Construction in progress	80,010	32,156	73,540	69,499	58,014	20,015
Equipment in process	2,657	3,056	3,613	3,528	945	-
Total nondepreciable capital assets	<u>127,622</u>	<u>78,790</u>	<u>120,685</u>	<u>116,749</u>	<u>102,509</u>	<u>49,803</u>
Total capital assets, net	<u>\$ 813,699</u>	<u>\$ 733,246</u>	<u>\$ 561,748</u>	<u>\$ 532,992</u>	<u>\$ 504,372</u>	<u>\$ 478,739</u>

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

Fiscal Years 2007 - 1998
(all dollars in thousands)

	For the year ended June 30				
	2007	2006	2005	2004	2003
General bonded debt					
9(c) general obligation bonds (1)	\$ 50,043	\$ 33,481	\$ 37,429	\$ 36,369	\$ 41,489
General bonded debt per student (2)	\$ 1,758	\$ 1,197	\$ 1,355	\$ 1,310	\$ 1,480
General bonded debt as a percentage of personal income (3)	0.02%	0.01%	0.01%	0.01%	0.02%
Other debt					
9(d) revenue bonds (4)	\$ 90,404	\$ 98,368	\$ 103,172	\$ 106,781	\$ 58,350
9(d) notes	124,489	103,142	95,239	98,964	79,963
Capital leases	11,661	12,091	12,617	13,061	9,531
Installment purchases	1,961	840	836	246	108
Total other debt	\$ 228,515	\$ 214,441	\$ 211,864	\$ 219,052	\$ 147,952
Total outstanding debt	\$ 278,558	\$ 247,922	\$ 249,293	\$ 255,421	\$ 189,441
Total outstanding debt per student (2)	\$ 9,784	\$ 8,861	\$ 9,026	\$ 9,203	\$ 6,759
Total outstanding debt, percentage of personal income (3)	0.09%	0.08%	0.09%	0.10%	0.08%
Number of students enrolled	28,470	27,979	27,619	27,755	28,027

Notes:

- (1) 9(c) bonds are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the commonwealth
(2) Debt per student is calculated using number of students enrolled.

SCHEDULE OF DEMOGRAPHIC & ECONOMIC STATISTICS

Calendar Years 2007 - 1998

Calendar Year (1)	Statewide Population (2)	Statewide Personal income (2)	Statewide Personal income Per capita	Statewide Unemployment Rate
2007	7,735	\$ 317,836,000	\$ 41,094	3.2%
2006	7,623	300,163,000	39,376	3.2%
2005	7,512	287,880,000	38,323	3.5%
2004	7,432	266,864,000	35,907	3.7%
2003	7,275	249,159,000	34,249	4.0%
2002	7,051	240,835,000	34,156	4.1%
2001	6,995	235,263,000	33,633	2.4%
2000	6,929	219,212,000	31,639	2.7%
1999	6,858	201,460,000	29,376	2.8%
1998	6,784	190,243,000	28,043	3.4%

Source: Commonwealth of Virginia, FY2006 *Comprehensive Annual Financial Report*

Notes:

- (1) CY2007 and CY2006 are estimated.
(2) Statewide population and statewide personal income are reported in thousands.

	For the year ended June 30				
	2002	2001	2000	1999	1998
General bonded debt					
9(c) general obligation bonds (1)	\$ 45,296	\$ 49,749	\$ 54,730	\$ 57,593	\$ 58,810
General bonded debt per student (2)	\$ 1,606	\$ 1,785	\$ 1,961	\$ 2,082	\$ 2,161
General bonded debt as a percentage of personal income (3)	0.02%	0.02%	0.02%	0.03%	0.03%
Other debt					
9(d) revenue bonds (4)	\$ 62,395	\$ 66,240	\$ 69,900	\$ 73,395	\$ 76,725
9(d) notes	50,385	24,925	20,710	10,145	-
Capital leases	1,747	6,498	12,536	18,076	24,489
Installment purchases	2,715	167	164	236	377
Total other debt	\$ 117,242	\$ 97,830	\$ 103,310	\$ 101,852	\$ 101,591
Total outstanding debt	<u>\$ 162,538</u>	<u>\$ 147,579</u>	<u>\$ 158,040</u>	<u>\$ 159,445</u>	<u>\$ 160,401</u>
Total outstanding debt per student (2)	\$ 5,763	\$ 5,295	\$ 5,662	\$ 5,764	\$ 5,895
Total outstanding debt, percentage of personal income (3)	0.07%	0.06%	0.07%	0.08%	0.08%
Number of students enrolled	28,203	27,869	27,910	27,663	27,208

Notes:

- (3) Ratio is calculated using population and personal income from prior years from the Schedule of Demographic and Economic Statistics
- (4) 9(d) revenue bonds and notes are payable from pledged general revenues to include general fund appropriations, student tuition and fees, facilities and administrative cost recoveries, auxiliary enterprise revenue, and other revenues not restricted by law for another purpose.

SCHEDULE OF BOND COVERAGE

Fiscal Years 2007 - 1998
(all dollars in thousands)

Fiscal Year	Revenues (1)	Operating Expenses (1)	Net revenue Available for Debt service	Debt service requirements (2)			Coverage Ratio
				Principal	Interest	Total	
2007	\$ 669,603	\$ 621,305	\$ 48,298	\$ 17,903	\$ 11,411	\$ 29,314	1.65
2006	618,248	575,107	43,141	13,466	9,632	23,098	1.87
2005	575,077	520,785	54,292	12,079	8,740	20,819	2.61
2004	517,662	477,627	40,035	16,196	8,227	24,423	1.64
2003	498,558	465,516	33,042	14,265	8,245	22,510	1.47
2002	504,674	483,685	20,989	14,003	7,805	21,808	0.96
2001	544,800	522,738	22,062	15,414	7,438	22,852	0.97
2000	518,426	494,931	23,495	14,506	8,051	22,557	1.04
1999	488,100	471,574	16,526	14,762	7,451	22,213	0.74
1998	453,227	437,879	15,348	11,088	4,354	15,442	0.99

Notes:

- (1) Fiscal years 2002 and later are based on the operating revenues, non-operating revenues, and operating expenses of unrestricted current funds found on the Consolidating Schedule of Revenues, Expenses, and Changes in Net Assets. Fiscal years 2001 and prior are based on the revenues and expenses (excluding transfers) of unrestricted current funds on the Statement of Current Funds Revenues, Expenditures, and Other Changes.
- (2) Debt service requirements are based on the university's 9(c) general obligation bonds, 9(d) revenue bonds, 9(d) notes, capital leases, and installment purchases. Additional information regarding debt issues can be found in Footnote 11 in the *Notes to Financial Statements*.

FACULTY, STAFF, AND ADMINISTRATOR STATISTICS
Academic Years 2006/07 - 1997/98

	Academic year beginning in the Fall				
	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Instructional faculty (1)					
Full-time	1,340	1,304	1,265	1,251	1,301
Part-time	18	17	16	22	26
Percent of tenured, full-time, instructional faculty	65.3%	66.0%	67.0%	67.0%	66.9%
Research & other instructional faculty (2)					
Full-time	785	766	720	668	699
Part-time	23	26	29	22	18
Temporary faculty					
Full-time	227	211	224	235	215
Administrative/professional faculty					
Full-time	864	802	743	707	752
Part-time	7	6	14	12	15
Support staff					
Full-time	3,698	3,606	3,515	3,418	3,561
Part-time	66	67	61	64	54
Total faculty and support staff					
Full-time	6,914	6,689	6,467	6,279	6,528
Part-time	114	116	120	120	113
Student-to-faculty ratio (3)					
	16:1	16:1	17:1	17:1	16:1

Notes:

(1) Includes faculty classified as instructional, and performing instructional duties more than 50% of the time; includes tenure and nontenure track instructional faculty.

(2) Other instructional faculty includes faculty classified as instructional, but performing instructional duties less than 50% of the time.

SCHEDULE OF PRINCIPAL EMPLOYERS, STATEWIDE

Rank	Employer	Ownership
1	U.S. Department of Defense	Federal Government
2	Wal-Mart	Private
3	Fairfax County Public Schools	Local Government
4	Newport News Shipbuilding	Private
5	Food Lion	Private
6	County of Fairfax	Local Government
7	United States Postal Service	Federal Government
8	Sentara Healthcare	Private
9	City of Virginia Beach Schools	Local Government
10	Prince William County School Board	Local Government

Source: Virginia Employment Commission (VEC), Fourth Quarter (October - December) 2006

Note: The VEC releases the state's top employers by ranking based on number of employees; however, the actual employee numbers are not disclosed for confidentiality reasons. The above institutions employ more than 1,000 employees.

	Academic year beginning in the Fall				
	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
Instructional faculty (1)					
Full-time	1,295	1,247	1,242	1,203	1,198
Part-time	31	29	29	28	38
Percent of tenured, full-time, instructional faculty	65.6%	70.4%	71.0%	72.7%	75.7%
Research & other instructional faculty (2)					
Full-time	755	715	687	676	690
Part-time	14	16	13	14	12
Temporary faculty					
Full-time	203	228	302	275	260
Administrative/professional faculty					
Full-time	891	884	858	825	786
Part-time	15	20	15	17	13
Support staff					
Full-time	3,484	3,474	3,405	3,303	3,184
Part-time	58	56	50	44	51
Total faculty and support staff					
Full-time	6,628	6,548	6,494	6,282	6,118
Part-time	118	121	107	103	114
Student-to-faculty ratio (3)	15:1	16:1	15:1	16:1	16:1

Notes:

(3) Calculation based on faculty full-time equivalent divided by student full-time equivalent. The full-time equivalent excludes faculty and graduate students in stand-alone graduate programs such as medicine, law, dentistry, business, etc.

SCHEDULE OF TUITION AND FEES

Academic Years 2006/07 - 1997/98

Academic year Beginning in Fall	Undergraduate (1)		Graduate (2)	
	Resident	Nonresident	Resident	Nonresident
2006	\$ 6,973	\$ 19,049	\$ 8,540	\$ 14,057
2005	6,378	17,837	7,977	12,835
2004	5,838	16,581	7,512	11,682
2003	5,095	15,029	6,944	10,663
2002 (3)	4,336	13,952	6,031	9,266
2001	3,664	12,488	5,219	8,189
2000	3,640	12,128	5,069	7,944
1999	3,620	11,844	4,950	7,758
1998	4,305	11,521	4,927	7,537
1997	4,147	11,111	4,769	7,199

*The above tuition and fee amounts do not include costs associated with room and board.

Notes:

- (1) Annual tuition and fees based on a full-time undergraduate course load of at least 12 hours per semester
- (2) Annual tuition and fees based on a full-time graduate course load of at least 9 hours per semester
- (3) Reflects a mid-year tuition increase

UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

At comparable benchmark institutions as identified by the State Council of Higher Education for Virginia (SCHEV)

Academic years 2006/07 - 1997/98

	Academic year beginning in the Fall				
	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Resident					
University of Florida	\$ 3,206	\$ 3,094	\$ 2,955	\$ 2,780	\$ 2,581
North Carolina State University at Raleigh	4,783	4,338	4,282	3,970	3,827
Stony Brook University	5,631	5,574	5,389	5,306	4,383
University of Colorado at Boulder	5,643	5,372	4,341	4,020	3,566
Iowa State University	5,860	5,634	5,426	5,028	4,110
University of Washington	5,985	5,610	5,286	4,968	4,636
State University New York of Buffalo	6,128	6,068	5,966	5,851	4,850
University of California-Berkeley	6,654	6,512	6,730	5,858	4,201
University of Wisconsin-Madison	6,726	6,280	5,862	5,136	4,423
Texas A & M University	6,966	6,399	5,955	5,051	4,748
Virginia Tech	6,973	6,378	5,838	5,095	3,936
Purdue University	7,096	6,458	6,092	5,860	5,580
University of Missouri-Columbia	7,308	6,960	7,100	6,558	5,552
University of California-Davis	7,576	7,457	7,557	6,438	4,630
University of Texas at Austin	7,630	6,972	5,735	4,188	3,950
University of Maryland-College Park	7,906	7,821	7,410	6,759	5,670
Ohio State University	8,667	8,082	7,542	6,651	5,691
Michigan State University	8,887	8,108	7,352	7,044	6,412
University of Minnesota-Twin Cities	9,173	8,622	8,029	7,116	6,280
University of Michigan-Ann Arbor	9,723	9,213	8,201	7,975	7,485
University of Illinois at Urbana-Champaign	9,882	8,634	7,944	7,010	6,704
Rutgers University	9,958	9,221	8,564	7,927	7,308
University of Pittsburgh	12,138	11,436	10,830	9,274	8,528
Pennsylvania State University	12,164	11,508	10,856	9,206	8,382
Cornell University	32,981	31,467	30,167	28,754	27,394
University of Southern California	33,892	32,008	30,512	28,692	26,956
Nonresident					
Stony Brook University	\$ 11,891	\$ 11,834	\$ 11,649	\$ 11,256	\$ 9,283
State University New York of Buffalo	12,388	12,328	12,226	11,801	9,750
Texas A & M University	15,216	14,679	13,695	12,131	11,288
Iowa State University	16,354	15,724	15,128	14,370	12,802
University of Missouri-Columbia	16,890	16,085	16,547	16,005	14,705
North Carolina State University at Raleigh	16,981	16,536	16,180	15,818	15,111
University of Florida	17,791	17,222	15,827	13,808	12,046
Rutgers University	18,463	16,819	15,599	14,441	13,284
Virginia Tech	19,049	17,837	16,581	15,029	13,552
University of Texas at Austin	20,364	16,310	14,435	11,268	10,490
Ohio State University	20,562	19,305	18,129	16,638	15,114
University of Wisconsin-Madison	20,726	20,280	19,862	19,136	18,424
University of Minnesota-Twin Cities	20,803	20,252	19,659	18,746	16,853
Purdue University	21,266	19,824	18,700	17,640	16,260
University of Washington	21,283	19,907	17,916	16,121	15,337
University of Maryland-College Park	21,345	20,145	18,710	17,433	14,434
University of Pittsburgh	21,456	20,784	20,200	18,586	17,336
Michigan State University	21,476	19,808	18,148	16,948	15,423
Pennsylvania State University	22,712	21,744	20,784	18,828	17,610
University of Colorado at Boulder	23,539	22,826	21,453	20,336	18,910
University of Illinois at Urbana-Champaign	23,968	22,720	20,864	18,046	15,308
University of California-Berkeley	25,338	23,961	23,686	20,068	16,580
University of California-Davis	26,260	24,449	24,513	20,648	16,974
University of Michigan-Ann Arbor	29,131	27,601	26,027	24,777	23,365
Cornell University	32,981	31,467	30,167	28,754	27,394
University of Southern California	33,892	32,008	30,512	28,692	26,956

Source: Office of Budget and Financial Planning

	Academic year beginning in the Fall				
	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
Resident					
University of Florida	\$ 2,444	\$ 2,256	\$ 2,141	\$ 2,052	\$ 1,926
North Carolina State University at Raleigh	3,302	2,814	2,414	2,634	2,270
Stony Brook University	4,268	4,253	4,141	4,141	3,932
University of Colorado at Boulder	3,357	3,188	3,118	3,038	2,939
Iowa State University	3,442	3,132	3,004	2,874	2,766
University of Washington	4,117	4,031	3,638	3,495	3,366
State University New York of Buffalo	4,815	4,715	4,655	4,510	4,340
University of California-Berkeley	4,123	4,047	4,046	4,176	4,354
University of Wisconsin-Madison	4,176	3,788	3,735	3,408	3,241
Texas A & M University	3,722	3,374	3,168	2,897	2,740
Virginia Tech	3,664	3,640	3,620	4,305	4,147
Purdue University	4,164	3,872	3,723	3,532	3,352
University of Missouri-Columbia	4,887	4,726	4,581	4,439	4,280
University of California-Davis	4,595	4,072	4,034	4,153	4,331
University of Texas at Austin	3,766	3,575	3,128	3,004	2,866
University of Maryland-College Park	5,341	5,136	4,939	4,699	4,460
Ohio State University	4,788	4,383	4,137	3,906	3,687
Michigan State University	5,911	5,432	5,589	4,896	4,789
University of Minnesota-Twin Cities	5,536	4,878	4,648	4,963	4,749
University of Michigan-Ann Arbor	6,935	6,513	6,333	6,098	5,878
University of Illinois at Urbana-Champaign	5,754	4,994	4,770	4,554	4,340
Rutgers University	6,654	6,333	6,052	5,772	5,386
University of Pittsburgh	7,482	7,002	6,698	6,424	6,164
Pennsylvania State University	7,396	6,852	6,436	6,092	5,832
Cornell University	26,062	24,850	23,848	22,868	21,914
University of Southern California	25,533	24,123	22,636	N/A	N/A
Nonresident					
Stony Brook University	\$ 9,168	\$ 9,153	\$ 9,041	\$ 9,041	\$ 8,832
State University New York of Buffalo	9,715	9,615	9,555	9,410	9,240
Texas A & M University	10,052	9,824	9,648	9,287	8,732
Iowa State University	10,776	9,974	9,564	9,152	8,808
University of Missouri-Columbia	13,332	12,895	12,495	12,107	11,723
North Carolina State University at Raleigh	13,294	11,980	11,580	11,530	11,256
University of Florida	10,332	9,594	9,129	8,708	7,843
Rutgers University	12,092	11,511	10,982	10,496	9,800
Virginia Tech	12,488	12,128	11,844	11,521	11,111
University of Texas at Austin	10,096	10,025	9,608	9,394	9,286
Ohio State University	13,554	12,732	12,087	11,475	10,896
University of Wisconsin-Madison	15,972	14,186	13,049	11,588	10,981
University of Minnesota-Twin Cities	15,002	13,464	12,789	13,343	12,736
Purdue University	13,872	12,904	12,347	11,752	11,184
University of Washington	12,813	12,453	12,029	11,517	10,656
University of Maryland-College Park	13,413	12,668	11,827	11,221	10,589
University of Pittsburgh	15,740	14,684	14,014	13,458	12,928
Michigan State University	14,214	13,056	12,992	12,126	11,854
Pennsylvania State University	15,522	14,394	13,552	12,908	12,406
University of Colorado at Boulder	17,367	16,506	15,898	15,520	14,983
University of Illinois at Urbana-Champaign	13,574	12,442	11,862	11,370	10,956
University of California-Berkeley	15,197	14,661	14,220	13,750	13,338
University of California-Davis	15,669	14,686	14,208	13,727	13,315
University of Michigan-Ann Arbor	21,645	20,323	19,761	19,156	18,444
Cornell University	26,062	24,850	23,848	22,868	21,914
University of Southern California	25,533	24,123	22,636	N/A	N/A

GRADUATE AVERAGE ANNUAL TUITION AND FEES

At comparable benchmark institutions as identified by the State Council of Higher Education for Virginia (SCHEV)

Academic years 2006/07 - 1997/98

	Academic year beginning in the Fall				
	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Resident					
North Carolina State University at Raleigh	\$ 5,302	\$ 4,857	\$ 4,501	\$ 4,189	\$ 4,036
University of Missouri-Columbia	6,346	6,042	6,864	6,339	5,497
Iowa State University	6,666	6,410	6,172	5,686	4,770
University of Florida	6,826	6,234	5,484	4,926	4,304
Texas A & M University	6,969	6,462	6,058	5,281	4,989
University of Texas at Austin	7,013	6,381	6,085	4,554	4,295
Purdue University	7,096	6,458	6,092	5,860	5,580
University of California-Berkeley	7,410	7,268	7,457	6,169	4,431
University of California-Davis	7,642	7,589	8,407	7,063	4,902
Stony Brook University	7,647	7,604	7,456	7,400	5,651
University of Colorado at Boulder	7,668	6,965	5,580	5,081	4,489
State University New York of Buffalo	8,219	8,170	8,090	7,997	6,153
University of Maryland-College Park	8,398	7,991	7,555	7,041	6,224
Virginia Tech	8,540	7,977	7,512	6,944	5,631
University of Washington	8,818	8,257	7,616	6,821	6,508
University of Wisconsin-Madison	9,180	8,734	8,316	7,590	6,877
Michigan State University	9,426	8,855	8,108	7,762	7,062
Ohio State University	9,438	8,832	8,250	7,278	6,639
University of Illinois at Urbana-Champaign	10,152	8,878	8,310	7,756	7,420
University of Minnesota-Twin Cities	10,887	10,230	9,525	8,517	7,662
Rutgers University	12,840	11,681	10,839	10,030	9,194
Pennsylvania State University	13,742	13,002	11,796	10,420	9,324
University of Pittsburgh	14,622	13,774	13,028	12,304	11,286
University of Michigan-Ann Arbor	14,991	14,271	13,585	12,933	12,197
University of Southern California	27,426	25,920	24,724	23,244	21,836
Cornell University	32,868	31,362	30,062	28,680	27,320
Nonresident					
Stony Brook University	\$ 11,667	\$ 11,624	\$ 11,476	\$ 11,000	\$ 8,967
State University New York of Buffalo	12,239	12,190	12,110	11,597	9,469
Texas A & M University	13,569	13,086	12,250	10,945	10,221
Virginia Tech	14,057	12,835	11,682	10,663	8,866
University of Missouri-Columbia	15,092	14,372	16,522	15,997	14,855
University of Texas at Austin	15,137	14,271	13,237	10,218	9,527
University of Maryland-College Park	16,948	15,677	13,495	11,595	9,410
Iowa State University	17,080	16,422	15,798	14,862	13,296
North Carolina State University at Raleigh	17,350	16,905	16,549	16,187	15,685
University of Minnesota-Twin Cities	17,985	17,330	16,624	15,616	14,219
Rutgers University	18,380	16,762	15,345	14,202	13,022
Michigan State University	18,648	17,387	15,980	14,920	13,572
University of Washington	20,641	19,307	17,816	16,121	15,595
Purdue University	21,266	19,824	18,700	17,640	16,260
University of Florida	21,951	21,358	21,358	18,589	16,030
University of California-Berkeley	22,371	22,229	22,396	18,659	15,753
University of California-Davis	22,603	22,550	23,346	19,553	16,224
Ohio State University	22,791	21,429	20,133	18,444	17,214
University of Colorado at Boulder	22,824	22,445	21,462	20,345	18,919
University of Illinois at Urbana-Champaign	22,992	21,718	20,310	18,866	16,094
University of Wisconsin-Madison	24,450	24,004	23,586	22,860	22,147
Pennsylvania State University	24,582	23,488	21,946	20,240	18,702
University of Pittsburgh	26,412	25,592	24,864	23,470	21,872
University of Southern California	27,426	25,920	24,724	23,244	21,836
University of Michigan-Ann Arbor	30,137	28,689	27,311	25,999	24,517
Cornell University	32,868	31,362	30,062	28,680	27,320

Source: Office of Budget and Financial Planning

	Academic year beginning in the Fall				
	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
Resident					
North Carolina State University at Raleigh	\$ 3,496	\$ 2,931	\$ 2,470	\$ 2,370	\$ 2,276
University of Missouri-Columbia	4,884	4,728	4,580	4,439	4,283
Iowa State University	4,028	3,678	3,526	3,374	3,248
University of Florida	3,928	3,640	3,460	3,306	3,096
Texas A & M University	4,119	3,769	3,552	3,281	2,512
University of Texas at Austin	4,097	3,915	3,504	3,356	3,194
Purdue University	4,164	3,872	3,723	3,532	3,352
University of California-Berkeley	4,349	4,269	4,268	4,408	4,394
University of California-Davis	4,831	4,591	4,314	4,483	4,495
Stony Brook University	5,596	5,555	5,592	5,592	5,422
University of Colorado at Boulder	4,217	4,014	3,920	3,822	3,713
State University New York of Buffalo	6,143	6,053	6,035	5,970	5,792
University of Maryland-College Park	7,651	7,359	6,072	6,004	6,414
Virginia Tech	5,219	5,069	4,950	4,927	4,769
University of Washington	6,029	5,745	5,583	5,433	5,232
University of Wisconsin-Madison	6,358	5,884	5,403	4,928	4,692
Michigan State University	6,510	6,290	6,674	5,916	5,750
Ohio State University	6,333	6,048	5,757	5,472	5,214
University of Illinois at Urbana-Champaign	6,414	5,614	5,362	5,106	4,878
University of Minnesota-Twin Cities	6,547	5,795	5,517	5,611	5,454
Rutgers University	8,368	7,992	7,642	7,292	6,800
Pennsylvania State University	8,224	7,620	7,160	6,786	6,502
University of Pittsburgh	9,890	9,234	8,818	8,498	8,154
University of Michigan-Ann Arbor	11,523	10,821	10,501	10,192	9,816
University of Southern California	20,694	19,552	18,358	N/A	N/A
Cornell University	26,020	24,810	23,808	22,828	21,876
Nonresident					
Stony Brook University	\$ 8,912	\$ 8,871	\$ 8,908	\$ 8,908	\$ 8,738
State University New York of Buffalo	9,459	9,369	9,351	9,286	9,108
Texas A & M University	9,183	8,929	8,736	8,393	6,364
Virginia Tech	8,189	7,949	7,758	7,537	7,199
University of Missouri-Columbia	13,515	13,075	12,668	12,275	11,892
University of Texas at Austin	9,161	9,075	8,688	8,468	8,330
University of Maryland-College Park	11,467	11,007	8,932	8,564	8,974
Iowa State University	11,224	10,390	9,962	9,532	9,174
North Carolina State University at Raleigh	13,807	12,097	11,636	11,536	11,262
University of Minnesota-Twin Cities	12,200	10,922	10,377	10,555	10,254
Rutgers University	11,852	11,310	10,802	10,320	9,628
Michigan State University	12,510	12,110	12,296	11,376	11,054
University of Washington	14,363	14,283	13,872	13,479	12,966
Purdue University	13,872	12,904	12,347	11,752	11,184
University of Florida	13,700	12,730	12,118	11,551	10,426
University of California-Berkeley	15,243	14,703	14,262	13,792	13,378
University of California-Davis	15,725	15,025	14,304	13,867	13,479
Ohio State University	16,404	15,639	14,892	14,172	13,500
University of Colorado at Boulder	17,367	16,506	15,686	15,304	14,767
University of Illinois at Urbana-Champaign	14,298	13,124	12,514	11,982	11,522
University of Wisconsin-Madison	20,496	18,594	17,107	15,190	14,395
Pennsylvania State University	16,484	15,286	14,392	13,712	13,180
University of Pittsburgh	19,856	18,506	17,648	16,988	16,318
University of Southern California	20,694	19,552	18,358	N/A	N/A
University of Michigan-Ann Arbor	23,163	21,749	21,107	20,484	19,722
Cornell University	26,020	24,810	23,808	22,828	21,876

ADMISSIONS, ENROLLMENT, AND DEGREE STATISTICS

Academic Years 2006/07 - 1997/98

	Academic year beginning in the Fall				
	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Admissions - undergraduate ⁽¹⁾					
<i>(includes transfers)</i>					
Applications received	21,570	20,281	20,453	21,026	20,593
Offered	14,155	13,832	13,785	13,961	13,138
Offered as a percentage of applications	65.6%	68.2%	67.4%	66.4%	63.8%
Students enrolled	5,911	5,768	5,611	5,626	5,347
Enrolled as a percentage of offered	41.8%	41.7%	40.7%	40.3%	40.7%
Average SAT Score, excludes transfers ⁽²⁾	N/A	1203	1198	1196	1188
Average SAT Score - Math	617	N/A	N/A	N/A	N/A
Average SAT Score - Verbal/Reading	584	N/A	N/A	N/A	N/A
Average SAT Score - Writing	577	N/A	N/A	N/A	N/A
Admissions - graduate ⁽¹⁾					
<i>(includes transfers)</i>					
Applications received	6,878	6,503	6,953	8,591	9,062
Offered	2,795	2,458	2,496	2,887	3,299
Offered as a percentage of applications	40.6%	37.8%	35.9%	33.6%	36.4%
Students enrolled	1,821	1,605	1,615	1,683	1,818
Enrolled as a percentage of offered	65.2%	65.3%	64.7%	58.3%	55.1%
Average GRE Score, excludes transfers ⁽²⁾	1275	1253	1255	1235	1188
Enrollment - head count ⁽¹⁾					
Undergraduate	21,997	21,627	21,330	21,348	21,473
Graduate and first professional	6,473	6,352	6,289	6,407	6,554
Total enrollment	28,470	27,979	27,619	27,755	28,027
Gender ratio ⁽²⁾					
Men	57.8%	58.5%	58.9%	58.6%	58.5%
Women	42.2%	41.5%	41.1%	41.4%	41.5%
Race/Ethnicity ratio ⁽²⁾					
African-American	4.8%	5.1%	5.5%	5.8%	5.6%
Asian/Pacific Islander	6.3%	6.3%	6.3%	6.2%	6.0%
Hispanic/Latino	2.2%	2.1%	1.9%	1.9%	1.8%
Caucasian (White)	69.4%	71.5%	72.3%	73.6%	75.5%
International	7.0%	7.2%	7.8%	8.1%	7.9%
Other	10.3%	7.8%	6.2%	4.4%	3.2%
Residency ratio ⁽¹⁾					
Virginia	69.6%	68.8%	68.3%	69.1%	70.2%
Other states	23.4%	24.0%	23.6%	23.1%	22.5%
Other countries	7.0%	7.2%	8.1%	7.8%	7.3%
Degrees granted ⁽¹⁾					
Undergraduate	4,887	4,913	4,835	4,876	4,742
Graduate and first professional	1,807	1,908	1,867	1,827	1,831

Sources:

(1) Annual President's Report - University Highlights

(2) Office of Institutional Research & Effectiveness

	Academic year beginning in the Fall				
	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
Admissions - undergraduate ⁽¹⁾					
<i>(includes transfers)</i>					
Applications received	21,588	21,395	18,380	18,459	19,324
Offered	14,270	12,751	13,050	13,309	13,681
Offered as a percentage of applications	66.1%	59.6%	71.0%	72.1%	70.8%
Students enrolled	5,736	5,407	5,638	5,590	5,418
Enrolled as a percentage of offered	40.2%	42.4%	43.2%	42.0%	39.6%
Average SAT Score, excludes transfers ⁽²⁾	1182	1173	1167	1166	1164
Average SAT Score - Math	N/A	N/A	N/A	N/A	N/A
Average SAT Score - Verbal/Reading	N/A	N/A	N/A	N/A	N/A
Average SAT Score - Writing	N/A	N/A	N/A	N/A	N/A
Admissions - graduate ⁽¹⁾					
<i>(includes transfers)</i>					
Applications received	7,512	7,691	7,393	6,314	6,519
Offered	3,208	3,484	3,312	2,999	3,260
Offered as a percentage of applications	42.7%	45.3%	44.8%	47.5%	50.0%
Students enrolled	1,876	2,073	1,755	1,775	1,721
Enrolled as a percentage of offered	58.5%	59.5%	53.0%	59.2%	52.8%
Average GRE Score, excludes transfers ⁽²⁾	1191	1135	1170	1153	1157
Enrollment - head count ⁽¹⁾					
Undergraduate	21,593	21,428	21,812	21,416	21,013
Graduate and first professional	6,610	6,441	6,098	6,247	6,195
Total Enrollment	28,203	27,869	27,910	27,663	27,208
Gender ratio ⁽²⁾					
Men	58.2%	58.2%	58.9%	59.0%	59.3%
Women	41.8%	41.8%	41.1%	41.0%	40.7%
Race/Ethnicity ratio ⁽²⁾					
African-American	5.2%	4.6%	4.2%	4.3%	4.4%
Asian/Pacific Islander	6.0%	5.8%	6.1%	5.9%	5.9%
Hispanic/Latino	1.8%	1.9%	1.9%	1.8%	1.8%
Caucasian (White)	77.2%	81.4%	81.8%	82.2%	82.3%
International	7.3%	6.0%	5.7%	5.4%	5.3%
Other	2.5%	0.3%	0.3%	0.4%	0.3%
Residency ratio ⁽¹⁾					
Virginia	71.7%	71.7%	72.6%	73.8%	74.1%
Other states	22.3%	22.3%	21.7%	20.8%	20.6%
Other countries	6.0%	6.0%	5.7%	5.4%	5.3%
Degrees granted ⁽¹⁾					
Undergraduate	4,652	4,708	4,695	4,251	4,023
Graduate and first professional	1,747	1,703	1,736	1,826	1,729

- **JAMES A. HYATT**
Executive Vice President and Chief Operating Officer
- **RAYMOND D. SMOOT**
University Treasurer
- **M. DWIGHT SHELTON**
Vice President for Budget and Financial Management
- **WILLIAM M. ELVEY**
Assistant Vice President for Facilities
- **KENNETH E. MILLER**
University Controller
- **JOHN C. RUDD**
Director of Internal Audit
- **JOHN J. CUSIMANO**
Associate Treasurer

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