

**RADFORD UNIVERSITY
RADFORD, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Radford University for the year ended June 30, 2001, found:

- the financial statements are presented fairly in all material respects;
- no internal control matters that we consider to be material weaknesses;
- no instances of noncompliance required to be reported; and
- adequate corrective action of prior year audit findings.

- TABLE OF CONTENTS -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORTS:

Report on Financial Statements

Report on Compliance and on Internal Control over Financial Reporting

FINANCIAL STATEMENTS:

Balance Sheet

Statement of Changes in Fund Balances

Statement of Current Funds Revenues, Expenditures, and Other Changes

Notes to Financial Statements

SUPPLEMENTARY INFORMATION:

Schedule of Auxiliary Enterprises Revenues, Expenditures, and
Changes in Fund Balances

UNIVERSITY OFFICIALS

January 14, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
Radford University

We have audited the accounts and records of **Radford University** as of and for the year ended June 30, 2001, and submit herewith our complete reports on financial statements and compliance and internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of Radford University, a component unit of the Commonwealth of Virginia, as of June 30, 2001, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Radford University as of June 30, 2001, and the changes in fund balances and current

funds revenues, expenditures, and other changes for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying "Schedule of Auxiliary Enterprises Revenues, Expenditures and Changes in Fund Balances" is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

In planning and performing our audit of the financial statements of Radford University as of and for the year ended June 30, 2001, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants 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.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

The "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting" is intended solely for the information and use of the Governor and General Assembly of Virginia,

the Board of Visitors, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management on January 25, 2002.

AUDITOR OF PUBLIC ACCOUNTS

JEG:kva
kva:50

RADFORD UNIVERSITY
BALANCE SHEET
As of June 30, 2001

| | Current Funds | | |
|--|---------------------|-------------------|--------------------|
| | Unrestricted | Restricted | Loan Funds |
| A S S E T S | | | |
| Cash and cash equivalents (Note 3) | \$12,662,397 | \$ 496,539 | \$ 509,417 |
| Collateral held by Treasury for securities lending (Note 3) | 3,316,465 | - | - |
| Appropriations available | - | 1,994 | - |
| Accounts receivable (Net of allowance for doubtful accounts of \$99,285) | 838,293 | 501,291 | - |
| Notes receivable (Net of allowance for doubtful notes receivable of \$261,036) | - | - | 3,138,116 |
| Due from the Commonwealth of Virginia | 170,819 | - | - |
| Inventories (Note 1) | 528,103 | - | - |
| Due from other funds | 600,000 | - | - |
| Land and improvements | - | - | - |
| Buildings | - | - | - |
| Equipment | - | - | - |
| Library books | - | - | - |
| Construction in progress | - | - | - |
| Total assets | \$18,116,077 | \$ 999,824 | \$3,647,533 |
| LIABILITIES AND FUND BALANCES | | | |
| Payable for collateral held by Treasury for securities lending (Note 3) | \$ 3,316,465 | \$ - | \$ - |
| Accounts payable and accrued liabilities | 9,092,667 | 270,654 | 250 |
| Accrued leave | 3,236,426 | - | - |
| Deposit pending distribution | 207,250 | - | - |
| Deferred revenue (Note 1) | 3,170,505 | - | - |
| Bonds payable (Note 4) | - | - | - |
| Leases payable (Note 4) | - | - | - |
| Retainage payable (Note 6) | - | - | - |
| Due to other funds | - | 600,000 | - |
| Due to the Commonwealth - Petty cash advance | 20,000 | - | - |
| Fund balances: | | | |
| Unrestricted current funds (Note 10) | (927,236) | - | - |
| Restricted current funds | - | 129,170 | - |
| Loan funds, U.S. Government grants | - | - | 2,998,737 |
| Loan funds, University - Restricted | - | - | 648,546 |
| Unexpended plant funds | - | - | - |
| Renewals and replacements | - | - | - |
| Net investment in plant | - | - | - |
| Total liabilities and fund balances | \$18,116,077 | \$ 999,824 | \$3,647,533 |

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

| Plant Funds | Agency Funds | Total (Memorandum Only) |
|-----------------------|-------------------|-------------------------|
| \$ 17,508,832 | \$ 184,813 | \$ 31,361,998 |
| - | - | 3,316,465 |
| 1,896,226 | - | 1,898,220 |
| - | - | 1,339,584 |
| - | - | 3,138,116 |
| - | - | 170,819 |
| - | - | 528,103 |
| - | - | 600,000 |
| 8,813,529 | - | 8,813,529 |
| 91,320,004 | - | 91,320,004 |
| 16,838,037 | - | 16,838,037 |
| 12,187,445 | - | 12,187,445 |
| 10,939,448 | - | 10,939,448 |
| <u>\$ 159,503,521</u> | <u>\$ 184,813</u> | <u>\$ 182,451,768</u> |

| | | |
|-----------------------|-------------------|-----------------------|
| \$ - | \$ - | \$ 3,316,465 |
| 155,816 | 6,574 | 9,525,961 |
| - | - | 3,236,426 |
| - | 178,239 | 385,489 |
| - | - | 3,170,505 |
| 936,049 | - | 936,049 |
| 721,637 | - | 721,637 |
| 124,209 | - | 124,209 |
| - | - | 600,000 |
| - | - | 20,000 |
| - | - | (927,236) |
| - | - | 129,170 |
| - | - | 2,998,737 |
| - | - | 648,546 |
| 3,250,933 | - | 3,250,933 |
| 15,896,996 | - | 15,896,996 |
| 138,417,881 | - | 138,417,881 |
| <u>\$ 159,503,521</u> | <u>\$ 184,813</u> | <u>\$ 182,451,768</u> |

RADFORD UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

| | Current Funds | | Loan Funds |
|---|--------------------|-------------------|----------------|
| | Unrestricted | Restricted | |
| Revenues and other additions: | | | |
| Unrestricted current funds revenue | \$ 94,419,091 | \$ - | \$ - |
| State appropriations - Restricted | - | 3,463,965 | - |
| Federal grants and contracts - Restricted | - | 7,543,954 | - |
| State grants and contracts - Restricted | - | 445,975 | - |
| Private gifts, grants and contracts - Restricted | - | 396,694 | - |
| Interest income - Restricted | - | - | 12,490 |
| U.S. Government Advances | - | - | 11,851 |
| Interest and penalty on loans receivable | - | - | 70,548 |
| Expended for plant facilities (Including \$2,976,509 charged to current funds expenditures) | - | - | - |
| Retirement of indebtedness | - | - | - |
| Other sources | - | 15,665 | 28,246 |
| Total revenues and other additions | 94,419,091 | 11,866,253 | 123,135 |
| Expenditures and other deductions: | | | |
| Educational and general expenditures | 61,800,480 | 11,638,294 | - |
| Auxiliary enterprise expenditures | 26,721,845 | - | - |
| Indirect costs recovered | - | 201,268 | - |
| Loan cancellations and write-offs | - | - | 543 |
| Expended for plant facilities (Including noncapitalized expenditures of \$1,108,744) | - | - | - |
| Retirement of indebtedness | - | - | - |
| Interest on indebtedness | - | - | - |
| Disposal of plant facilities | - | - | - |
| Transfers to the Commonwealth of Virginia (Note 11) | - | - | - |
| Total expenditures and other deductions | 88,522,325 | 11,839,562 | 543 |
| Transfers among funds - Additions/(Deductions): | | | |
| Mandatory: | | | |
| Debt service | (577,830) | - | - |
| Loan fund matching grant | (3,951) | - | 3,951 |
| Nonmandatory: | | | |
| (To)/From other Funds | (6,397,150) | (70,007) | - |
| Total transfers among funds | (6,978,931) | (70,007) | 3,951 |
| Net increase/(decrease) for the year | (1,082,165) | (43,316) | 126,543 |
| Fund balances at beginning of year | 154,929 | 172,486 | 3,520,740 |
| Fund balances (deficits) at end of year | \$ (927,236) | \$ 129,170 | \$ 3,647,283 |

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

| Plant Funds | | | |
|--------------|---------------------------|----------------------------|---------------------|
| Unexpended | Renewals and Replacements | Retirement of Indebtedness | Investment in Plant |
| \$ - | \$ - | \$ - | \$ - |
| 1,763,313 | 10,768,064 | 516,396 | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 5,788,361 |
| - | - | - | 970,234 |
| - | - | - | - |
| 1,763,313 | 10,768,064 | 516,396 | 6,758,595 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 2,550,438 | 1,370,158 | - | - |
| - | - | 970,234 | - |
| - | - | 123,992 | - |
| - | - | - | 963,556 |
| - | 11,156,617 | - | - |
| 2,550,438 | 12,526,775 | 1,094,226 | 963,556 |
| - | - | 577,830 | - |
| - | - | - | - |
| 1,519,976 | 4,947,181 | - | - |
| 1,519,976 | 4,947,181 | 577,830 | - |
| 732,851 | 3,188,470 | - | 5,795,039 |
| 2,518,082 | 12,708,526 | - | 132,622,842 |
| \$ 3,250,933 | \$ 15,896,996 | \$ - | \$ 138,417,881 |

RADFORD UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 2001

| | Unrestricted | Restricted | Total |
|---|--------------------|-------------------|--------------------|
| Revenues: | | | |
| Tuition and fees | \$ 21,202,726 | \$ - | \$ 21,202,726 |
| State appropriations (Note 5) | 39,681,159 | 3,463,965 | 43,145,124 |
| Federal grants and contracts | 193,313 | 7,403,780 | 7,597,093 |
| State grants and contracts | 91 | 426,940 | 427,031 |
| Private gifts, grants, and contracts | 7,864 | 312,278 | 320,142 |
| Sales and services of educational departments | 17,868 | - | 17,868 |
| Sales and services of auxiliary enterprises | 32,798,062 | - | 32,798,062 |
| Vending machine commissions | 83,340 | - | 83,340 |
| Investment income | 153,148 | - | 153,148 |
| Other sources | 281,520 | 31,331 | 312,851 |
| Total current revenues | 94,419,091 | 11,638,294 | 106,057,385 |
| Expenditures and mandatory transfers: | | | |
| Educational and general: | | | |
| Instruction | 35,428,522 | 258,740 | 35,687,262 |
| Public service | 125,409 | 2,585 | 127,994 |
| Academic support | 6,352,235 | 4,103,543 | 10,455,778 |
| Student services | 3,739,659 | 39,369 | 3,779,028 |
| Institutional support | 9,119,158 | 41,918 | 9,161,076 |
| Operation and maintenance of plant | 6,811,994 | - | 6,811,994 |
| Scholarships and fellowships | 223,503 | 7,192,139 | 7,415,642 |
| Total educational and general expenditures | 61,800,480 | 11,638,294 | 73,438,774 |
| Mandatory transfers for: | | | |
| Loan fund matching grant | 3,951 | - | 3,951 |
| Debt service | 103,127 | - | 103,127 |
| Total educational and general expenditures and transfers | 61,907,558 | 11,638,294 | 73,545,852 |
| Auxiliary enterprises: | | | |
| Operating expenditures | 26,721,845 | - | 26,721,845 |
| Mandatory transfer for debt service | 474,703 | - | 474,703 |
| Total auxiliary enterprises | 27,196,548 | - | 27,196,548 |
| Total expenditures and mandatory transfers | 89,104,106 | 11,638,294 | 100,742,400 |
| Other transfers and additions/(deductions): | | | |
| Excess of restricted receipts over transfers to revenues | - | 26,691 | 26,691 |
| Nonmandatory transfers: | | | |
| (To)/From current restricted funds | 70,007 | (70,007) | - |
| To plant funds | (6,467,157) | - | (6,467,157) |
| Net increase/(decrease) in fund balances | (1,082,165) | (43,316) | (1,125,481) |

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

RADFORD UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Radford University have been prepared in accordance with generally accepted accounting principles for colleges and universities. The significant accounting policies followed by the University are as follows:

A. Reporting Entity

Radford University is an institution of higher education located in Radford, Virginia. The University operates under policy guidelines established by the State Council of Higher Education for Virginia and is governed by a Board of Visitors.

A separate report is prepared for the Commonwealth of Virginia, which 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 general purpose financial statements of the Commonwealth.

B. Basis of Accounting

The financial statements of Radford University have been prepared on the accrual basis except for depreciation accounting as explained in Note 1F to the financial statements. The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues or expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as: (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provision for debt amortization, interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

C. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of "fund accounting." Resources are classified for accounting and reporting purposes into funds, which may be used for activities or objectives, specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Visitors. Externally-restricted funds may only be utilized in accordance with purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control and use in achieving any of its institutional purposes, subject only to prescribed policies governing the use of State appropriations.

Unrestricted revenue is accounted for in the Current Unrestricted Fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate Restricted Funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes.

A summary of fund group definitions is as follows:

Current Funds - Current fund balances are separated into those which are restricted by donors and those which are unrestricted. Restricted funds may only be expended for the purpose indicated by the donor or grantor whereas unrestricted funds are available for current operations at the discretion of the University.

Loan Funds - Loan funds represent funds, which are limited by the terms of their donors or by action of the Board of Visitors for the purpose of making loans to students.

Plant Funds - Plant funds are divided into four groups: Unexpended, Retirement of Indebtedness, Renewals and Replacements, and Net Investment in Plant. Unexpended Plant Funds represent funds that are specified by external sources or designated by the Board of Visitors for the acquisition and construction of physical properties. The Retirement of Indebtedness Fund includes resources held for the retirement of both principal and interest on debt and sinking funds established under bond indentures. The Renewal and Replacement Plant Fund represents funds that are specified by external sources or designated by the Board of Visitors for the renovation and replacement of physical properties. The Investment in Plant Fund represents the capitalized value of physical property owned by the University, less associated long-term debt.

Agency Funds - Agency funds reflect funds held in trust by the University.

D. Investments

Investments are recorded at fair market value. Short-term investments with original maturities of three months or less are classified as cash equivalents in the financial statements. Investments with original maturities of greater than three months are classified as investments on the financial statements.

E. Inventories

Inventories are stated at cost (primarily first-in, first-out and average cost methods) and consist primarily of expendable supplies held for consumption.

F. Net Investment in Plant

Buildings and equipment are stated at appraised value or actual cost where determinable. Land is stated at cost. Construction is capitalized as expended and reflected in net investment in plant. Expenditures for renewals and replacements are capitalized only to the extent that such expenditures represent long-term improvements to properties. Current fund expenditures for equipment are capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. Library acquisitions are capitalized using published average prices for library acquisitions. The accompanying financial statements include no provision for depreciation of plant assets.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as: (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; and (3) transfers of a non mandatory nature for all other cases. Plant assets, at the time of disposal, revert to the Commonwealth of Virginia for disposition. Proceeds, if any, may be returned to the University.

G. Deferred Revenue

Deferred revenue represents revenues collected, but not earned as of June 30, 2001. This is primarily composed of revenue for student tuition accrued in advance of the semester. If a program is conducted over a fiscal year end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year.

H. Accrued Compensated Absences

The amount of leave earned, but not taken by eligible employees is recorded as a liability on the balance sheet. The amount reflects, as of June 30, 2001, all unused vacation 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.

I. Total Columns

Total columns on the financial statements are captioned, "Total - Memorandum Only" and indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles; neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. RADFORD UNIVERSITY FOUNDATION, INC.

Assets of the Radford University Foundation, Incorporated (the Foundation), which is separately incorporated and managed by its own board, are not included in these statements. This foundation was organized for fund raising activities, which either support the University or benefit specific schools.

The following is a summary of the audited financial condition of the Foundation as of June 30, 2001.

| | |
|--------------|----------------------|
| Assets | <u>\$ 29,753,703</u> |
| Liabilities | \$ 3,398,850 |
| Fund Balance | <u>26,354,853</u> |
| Total | <u>\$ 29,753,703</u> |

During the fiscal year ended June 30, 2001, the Foundation transferred \$780,002 to the University for academic scholarships. In addition, the Foundation directly expended \$256,284 on behalf of intercollegiate athletic programs of the University.

3. CASH AND CASH EQUIVALENTS

All state funds of the University are held by the Treasurer of Virginia pursuant to Section 2.1-177, et seq., Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash and cash equivalents, represent cash with the Treasurer, cash on hand, and cash deposits including certificates of deposit and temporary investments with original maturities of three months or less. Cash deposits held by the University are maintained in bank and savings institution accounts that are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359, et seq., Code of Virginia.

The investment policy of the University is established by the Board of Visitors and monitored by the Finance Committee of the Board. Statutes authorize the investment of funds held by the University in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements and money market funds comprised of investments, which are otherwise legal investments of the University.

The University's investments as of June 30, 2001, are categorized by levels of credit risk as described below:

Category 1 – Insured or registered securities or securities held by Radford University or its agent in the University's name.

Category 2 – Uninsured and unregistered, with securities held by the counter party's trust department or agent in the University's name.

Category 3 – Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the University's name.

| | |
|--|---------------------|
| Cash on hand | \$ 33,965 |
| Cash in bank | (321,426) |
| Cash with the Treasurer of Virginia | 29,090,815 |
| Corporate notes (Category 1) | 680,241 |
| Repurchase agreements (Category 3) | 313,181 |
| Federal agencies (Category 1) | 100,000 |
| Mutual money market funds (Noncategorized) | <u>1,465,222</u> |
| Total cash and cash equivalents | <u>\$31,361,998</u> |

Securities Lending Transactions

Investments held by the Treasurer of Virginia represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

4. LONG-TERM INDEBTEDNESS

A. Bonds Payable

Bonds payable at June 30, 2001, consist of the following:

| | |
|---|------------------|
| Radford University Norwood Hall Renovation Refunded Bonds, Series 1993, issued \$1,144,237, balance payable in annual installments of \$110,453 to \$137,012 with interest of 4.30% to 4.75% payable semi-annually; the final installment of \$137,012 being due in 2006. | \$615,988 |
| Radford University Donald N. Dedmon Center Refunded Bonds, Series 1992, issued \$2,427,140, balance payable in annual installments with interest of 5.60% payable semi-annually; the final installment of \$320,061 due in 2002. | <u>320,061</u> |
| Total | <u>\$936,049</u> |

A summary of future principal and interest requirements of long-term debt as of June 30, 2001, follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|------------------|--------------------|
| 2002 | \$430,514 | \$ 46,047 | \$ 476,561 |
| 2003 | 117,925 | 23,374 | 141,299 |
| 2004 | 121,553 | 18,068 | 139,621 |
| 2005 | 129,045 | 12,476 | 141,521 |
| 2006 | <u>137,012</u> | <u>6,507</u> | <u>143,519</u> |
| Total | <u>\$936,049</u> | <u>\$106,472</u> | <u>\$1,042,521</u> |

B. Capital Leases

The University is the lessee of equipment under capital leases expiring in various years through 2003. The assets under capital leases are recorded as property, plant, and equipment at the lower of the net present value of the minimum lease payments during the lease term or the fair market value of the asset. The book value of equipment capitalized under capital lease agreements totals \$4,454,198.

The University received allocations made by the Virginia College Building Authority from the Higher Education Equipment Trust Fund for the purpose of acquiring equipment under leasing agreements with the Authority. Fixed assets acquired and the associated liabilities are recorded in the Net Investment in Plant Fund.

For all capital leases, the minimum lease payments together with the present value of the net minimum lease payments as of June 30, 2001, are as follows:

| Year Ending <u>June 30,</u> | Capital Lease <u>Obligation</u> |
|--|------------------------------------|
| 2002 | \$532,531 |
| 2003 | <u>233,696</u> |
| Total minimum lease payments | 766,227 |
| Less: Amount of interest and executory costs | <u>44,590</u> |
| Present value of minimum lease payments | <u>\$721,637</u> |

5. STATE APPROPRIATIONS - CURRENT UNRESTRICTED FUNDS

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

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

| | |
|---|---------------------|
| Original appropriation (Revised Act) | \$38,918,925 |
| Adjustments: | |
| Supplemental appropriation for salary | |
| regrades and employee benefits | 198,648 |
| Transfer for graduate fellowships | 530,400 |
| Transfer for deferred compensation match | 250,588 |
| Transfer for health insurance premium | 189,085 |
| Decrease for VRS rate change | (213,531) |
| Decrease for retiree health credit | (138,856) |
| Decrease for IHRIS loan repayment | (45,896) |
| Decrease for gas and power | (6,281) |
| Decrease for Indemnity Bond premium holiday | (1,495) |
| Decrease for Y2K loan payment | <u>(428)</u> |
| Total | <u>\$39,681,159</u> |

6. COMMITMENTS - PLANT FUNDS

A. Construction Contracts

At June 30, 2001, the University was committed to construction contracts totaling approximately \$7,539,836. Construction in progress for these contracts amounted to \$4,296,015 at June 30, 2001. The University held \$124,209 as a retained percentage on the construction contracts for work, which had been performed. The retained percentage will be remitted to the various contractors upon satisfactory completion of the construction projects.

B. Operating Leases

The University is committed under various operating leases for land, buildings, and equipment. Operating leases do not give rise to property rights or lease obligations and therefore, the results of the lease agreements are not reflected in the University's fund groups. Rental expense was approximately \$662,039 for the year. Minimum lease payments as of June 30, 2001, are as follows:

| Year Ending | Amount |
|------------------------------|------------------|
| June 30, | |
| 2002 | \$303,330 |
| 2003 | 75,913 |
| 2004 | 75,913 |
| 2005 | 75,913 |
| 2006 | <u>75,913</u> |
| Total minimum lease payments | <u>\$606,982</u> |

7. STUDENT LOAN FUNDS

The University makes loans to qualified needy students from its Commonwealth of Virginia Student Loan Fund. During the fiscal year, new loans totaling \$58,219 were made to 31 students. At June 30, 2001, total loans outstanding were \$224,705 of which \$23,659 was deemed uncollectible in accordance with Section 23.38.10:4 of the Code of Virginia (1950) as amended.

8. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

A. Virginia Retirement System

Employees of the University are employees of the Commonwealth of Virginia. The employees participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health-related plans for retired employees. Information related to these plans is available at the statewide level only in the Commonwealth's Comprehensive Annual Financial Report. The Commonwealth of Virginia, not the University, has the overall responsibility for contributions to these plans.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff participate in a retirement annuity program through the Optional Retirement Program (ORP) Insurance Companies rather than the VRS. This is a fixed-contribution program where the retirement benefits received are based upon the employer's 5.4 percent and the employees' five percent contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and employees' contributions. Total pension costs under this plan were approximately \$1,294,656 for the year ended June 30, 2001. Contributions to the Optional Retirement Program Insurance Companies were calculated using the base salary amount of approximately \$12,448,615 for the fiscal year ended June 30, 2001.

9. CONTINGENCIES

The University receives 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 systems requirements of these regulations may result in questions concerning the allowableness of related direct and indirect charges pursuant to such agreements. As of June 30, 2001, the University estimates that no material liabilities will result from such audits or questions.

10. DEFICIT FUND BALANCE

The \$927,236 deficit in Current Unrestricted Funds is the result of the accrual of compensated absences and other payables.

11. CAPITAL OUTLAY REVERSIONS

On February 24, 2001, the Governor issued Executive Order (#74) placing a moratorium on spending of general fund appropriations for capital outlay projects not already under contract. Therefore, all unspent general fund appropriations for the following Plant Funds Renewal and Replacement projects were reverted to the Commonwealth and are shown as transfers to the Commonwealth of Virginia on the Statement of Changes in Fund Balance:

| | |
|-------------------------------|---------------------|
| Walker Hall Renovations | \$ 1,989,194 |
| Steam Distribution Renovation | 178,354 |
| Peters Hall | <u>8,989,069</u> |
| Total | <u>\$11,156,617</u> |

12. RISK MANAGEMENT

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

13. PENDING GASB STATEMENT

Governmental Accounting Standards Board (GASB) Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," issued November 1999, will be effective for the University for the fiscal year ending June 30, 2002. This Statement imposes new standards for financial reporting. The titles and formats of the financial statements will change significantly as a result of this Statement. In addition, management will be required to provide a management's discussion and analysis that gives readers an analysis of the University's overall financial position and results of operations including a comparison of current year results with the prior year. The University has completed its assessment of the changes required by this Statement and is preparing for implementation.

RADFORD UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

| | Food Services | Residential Facilities | Health Services | Phone Services |
|--|--------------------|---------------------------|--------------------|-------------------|
| Revenues: | | | | |
| Student fees | \$ 6,178,019 | \$ 8,541,991 | \$ 799,087 | \$ 432,148 |
| Sales and services | 2,107,648 | 72,727 | 4,600 | 488,298 |
| Parking fines and fees | - | - | - | - |
| Investment income | - | - | - | - |
| Total revenues | 8,285,667 | 8,614,718 | 803,687 | 920,446 |
| Cost of sales | (2,842,617) | - | - | - |
| Net revenues | 5,443,050 | 8,614,718 | 803,687 | 920,446 |
| Expenses of operations: | | | | |
| Personal services | 3,211,232 | 2,012,244 | - | 149,023 |
| Contractual services | 1,395,232 | 4,034,034 | 577,654 | 553,083 |
| Supplies and materials | 385,389 | 387,937 | - | 5,530 |
| Equipment | 59,335 | 384,281 | - | 16,962 |
| Total expenses of operations | 5,051,188 | 6,818,496 | 577,654 | 724,598 |
| Excess/(deficiency) of revenues over/(under) expenses of operations | 391,862 | 1,796,222 | 226,033 | 195,848 |
| Transfers: | | | | |
| Mandatory: | | | | |
| Debt service | - | (139,507) | - | - |
| Nonmandatory: | | | | |
| Renewals and replacements | (701,454) | (1,396,634) | (196,359) | (630,602) |
| Current - Restricted | - | 2,095 | - | - |
| Net increase/(decrease) in fund balances | (309,592) | 262,176 | 29,674 | (434,754) |
| Fund balances at beginning of year | 1,273,888 | 1,657,774 | 240,291 | 1,301,792 |
| Fund balances/(deficits) at end of year | \$ 964,296 | \$ 1,919,950 | \$ 269,965 | \$ 867,038 |

| Student Center | Building and Maintenance | Athletic Committee | Student Activities | Other Auxiliary Services | Total |
|----------------|--------------------------|--------------------|--------------------|--------------------------|---------------|
| \$ 992,699 | \$ 4,433,987 | \$ 3,574,093 | \$ 771,564 | \$ - | \$ 25,723,588 |
| 37,014 | 11,957 | 344,912 | 177,148 | 1,568,228 | 4,812,532 |
| - | - | - | - | 544,318 | 544,318 |
| - | - | - | - | 1,717,624 | 1,717,624 |
| 1,029,713 | 4,445,944 | 3,919,005 | 948,712 | 3,830,170 | 32,798,062 |
| - | - | - | - | - | (2,842,617) |
| 1,029,713 | 4,445,944 | 3,919,005 | 948,712 | 3,830,170 | 29,955,445 |
| 652,363 | 837,397 | 1,524,598 | 264,558 | 1,277,916 | 9,929,331 |
| 285,628 | 923,451 | 2,457,078 | 482,487 | 896,384 | 11,605,031 |
| 28,781 | 166,917 | 300,319 | 87,431 | 351,655 | 1,713,959 |
| 6,006 | 75,935 | 7,519 | 3,412 | 77,458 | 630,908 |
| 972,778 | 2,003,700 | 4,289,514 | 837,888 | 2,603,413 | 23,879,229 |
| 56,935 | 2,442,244 | (370,509) | 110,824 | 1,226,757 | 6,076,216 |
| - | (335,196) | - | - | - | (474,703) |
| (339,966) | (2,000,000) | - | - | (1,202,143) | (6,467,158) |
| 3,455 | 40,013 | 16,650 | - | 2,569 | 64,782 |
| (279,576) | 147,061 | (353,859) | 110,824 | 27,183 | (800,863) |
| 746,987 | 37,442 | 215,892 | 185,650 | 1,625,845 | 7,285,561 |
| \$ 467,411 | \$ 184,503 | \$ (137,967) | \$ 296,474 | \$ 1,653,028 | \$ 6,484,698 |

RADFORD UNIVERSITY
Radford, Virginia

BOARD OF VISITORS

Jay S. Poole, Rector

Gregory G. Goad, Vice Rector

Frank Armstrong III
Elizabeth D. Beamer
Stephen Q. Cassaday
Elizabeth B. Davis

Randal J. Duncan
Joseph E. Freeman III
Anthony Moore
Ellen M. Nau

Barbara D. Turk

ADMINISTRATIVE OFFICERS

Douglas Covington, President

David A. Burdette, Vice President for Business Affairs

Evelyn C. Wilson, Assistant Vice President for Finance and Controller