UNIVERSITY OF VIRGINIA

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005

APA
Auditor of Public Accounts
COMMENWEALTH OF VIRGINIA
AUDIT SUMMARY

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

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses; and
- no instances of noncompliance or other matters required to be reported
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October 20, 2005

The Honorable Mark R. Warner
Governor of Virginia

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

Board of Visitors
University of Virginia

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

We have audited the financial statements of the University of Virginia as of and for the year ended
June 30, 2005, and have issued our report thereon dated October 20, 2005. Our report on the financial
statements is contained in the President’s Report 2004-05 issued by the University. 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.

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
reportable 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 caused by error or fraud 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.
Compliance and Other Matters

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of Virginia. The accompanying Schedule of Auxiliary Enterprises – Revenues and Expenses and the State Student Loan Fund Schedule are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, its audit committee, and management, and are not intended to be and should not be used by anyone, other than these specified parties. However, these reports are a matter of public record and their distribution is not limited. We discussed these reports with management at an exit conference held on October 20, 2005.

[Signature]

AUDITOR OF PUBLIC ACCOUNTS

JHS:sks
sks:51
SUPPLEMENTARY INFORMATION
UNIVERSITY OF VIRGINIA  
SCHEDULE OF AUXILIARY ENTERPRISES - REVENUES AND EXPENSES  
For the Year Ended June 30, 2005  
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Dining Services</th>
<th>Residential Facilities</th>
<th>Student Health</th>
<th>Stores and Shops</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees</td>
<td>$</td>
<td>-</td>
<td>20 $</td>
<td>6,177 $</td>
</tr>
<tr>
<td>Auxiliary enterprise revenue</td>
<td>2,914</td>
<td>23,971</td>
<td>883</td>
<td>27,698</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>2,914</td>
<td>23,991</td>
<td>7,060</td>
<td>27,698</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>1,596</td>
<td>6,949</td>
<td>5,084</td>
<td>3,654</td>
</tr>
<tr>
<td>Supplies and other services (recoveries)</td>
<td>(1,664)</td>
<td>(1,934)</td>
<td>(98)</td>
<td>(8,195)</td>
</tr>
<tr>
<td>Supplies and other services (non-recoveries)</td>
<td>(786)</td>
<td>5,474</td>
<td>1,546</td>
<td>28,405</td>
</tr>
<tr>
<td>Student aid</td>
<td>9</td>
<td>10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>659</td>
<td>4,060</td>
<td>123</td>
<td>152</td>
</tr>
<tr>
<td>Depreciation (Note 1)</td>
<td>7</td>
<td>12</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>4</td>
<td>-</td>
<td>(534)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(175)</td>
<td>14,575</td>
<td>6,662</td>
<td>23,490</td>
</tr>
<tr>
<td><strong>Operating income/(loss)</strong></td>
<td>3,089</td>
<td>9,416</td>
<td>398</td>
<td>4,208</td>
</tr>
</tbody>
</table>

**Nonoperating revenues/(expenses):**

|                        |                |                        |                |                 |
| Gifts | - | - | - | - |
| Investment income | 358 | 48 | 37 | 21 |
| Other non-operating revenues/(expenses) | - | - | - | - |
| Transfers to plant and other | (3,218) | (9,635) | (464) | (1,608) |

**Net revenue/(expenses)** | $229 | $(171) | $(29) | $2,621 |

Note 1: Depreciation not reported by function in the functional matrix footnote in the Financial Report.

Note 2: Auxiliary Enterprise Revenue is net of scholarship allowances in the amount of $6,505,521.
<table>
<thead>
<tr>
<th>Student Activities</th>
<th>Faculty/Staff Services</th>
<th>Parking and Transportation</th>
<th>Athletics</th>
<th>Other Auxiliary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,089</td>
<td>$2,197</td>
<td>$8,784</td>
<td>$239</td>
<td>$26,506</td>
<td></td>
</tr>
<tr>
<td>2,583</td>
<td>2,256</td>
<td>6,506</td>
<td>24,439</td>
<td>952</td>
<td>92,202</td>
</tr>
<tr>
<td>11,672</td>
<td>2,256</td>
<td>8,703</td>
<td>33,223</td>
<td>1,191</td>
<td>118,708</td>
</tr>
<tr>
<td>3,462</td>
<td>1,119</td>
<td>3,401</td>
<td>19,945</td>
<td>5,141</td>
<td>50,351</td>
</tr>
<tr>
<td>(82)</td>
<td>(434)</td>
<td>(4,315)</td>
<td>(5)</td>
<td>(19,235)</td>
<td>(35,962)</td>
</tr>
<tr>
<td>1,823</td>
<td>1,081</td>
<td>4,247</td>
<td>15,220</td>
<td>9,442</td>
<td>66,452</td>
</tr>
<tr>
<td>636</td>
<td>326</td>
<td>851</td>
<td>1,395</td>
<td>8,755</td>
<td>16,957</td>
</tr>
<tr>
<td>27</td>
<td>1</td>
<td>6</td>
<td>82</td>
<td>128</td>
<td>278</td>
</tr>
<tr>
<td>13</td>
<td>36</td>
<td>4</td>
<td>254</td>
<td>(19)</td>
<td>(238)</td>
</tr>
<tr>
<td>5,879</td>
<td>2,129</td>
<td>4,194</td>
<td>44,875</td>
<td>4,212</td>
<td>105,841</td>
</tr>
<tr>
<td>5,793</td>
<td>127</td>
<td>4,509</td>
<td>(11,652)</td>
<td>(3,021)</td>
<td>12,867</td>
</tr>
<tr>
<td>6</td>
<td>-</td>
<td>-</td>
<td>27,450</td>
<td>-</td>
<td>27,456</td>
</tr>
<tr>
<td>84</td>
<td>38</td>
<td>81</td>
<td>523</td>
<td>940</td>
<td>2,130</td>
</tr>
<tr>
<td>(7)</td>
<td>-</td>
<td>-</td>
<td>(25)</td>
<td>(11)</td>
<td>(42)</td>
</tr>
<tr>
<td>(4,590)</td>
<td>(602)</td>
<td>(4,641)</td>
<td>(13,351)</td>
<td>(2,894)</td>
<td>(41,004)</td>
</tr>
<tr>
<td>$1,286</td>
<td>$ (437)</td>
<td>$ (51)</td>
<td>$ 2,946</td>
<td>$ (4,985)</td>
<td>$ 1,408</td>
</tr>
</tbody>
</table>
STUDENT LOAN FUNDS

In the past, the University has used its Commonwealth of Virginia Student Loan Fund to provide matching funds to meet the institutional contribution requirements of the federally sponsored Perkins Loan Program. At June 30, 2005, the fund balance of the State Student Loan Fund consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$8,128</td>
</tr>
<tr>
<td>Due from Perkins Loan Program</td>
<td>$82,306</td>
</tr>
<tr>
<td>Fund balance</td>
<td>$90,434</td>
</tr>
</tbody>
</table>

The University transferred no funds from the State Student Loan Fund to the Perkins Loan Program during the fiscal year.
UNIVERSITY OF VIRGINIA

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