

# South Carolina State University

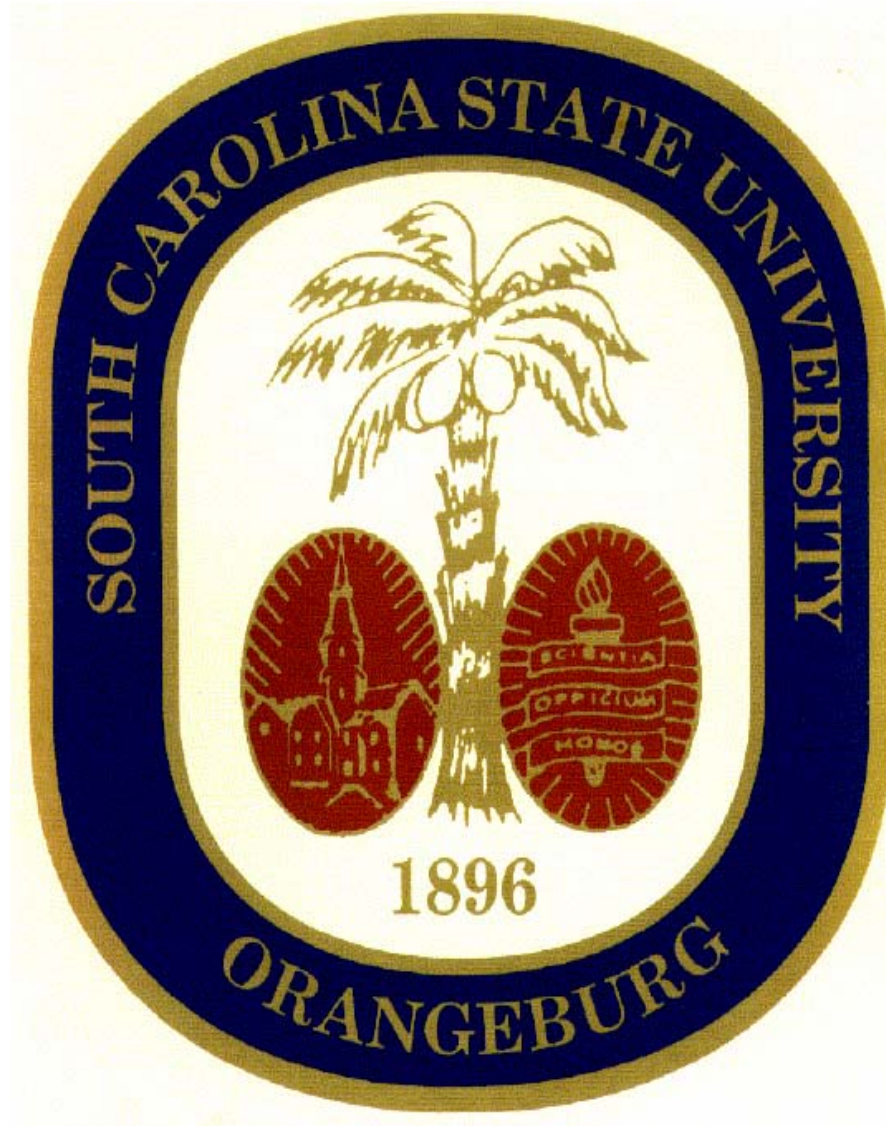
Orangeburg, South Carolina

SC State  
students:  
Embracing  
a new state  
of mind



Comprehensive Annual Financial Report  
Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina  
For The Year Ended June 30, 2007

**South Carolina State University  
Orangeburg, South Carolina**



**Comprehensive Annual Financial Report**  
**Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina**  
**For The Year Ended June 30, 2007**

Prepared By  
The Office of the Controller

South Carolina State University  
Comprehensive Annual Financial Report  
For The Year Ended June 30, 2007

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# **South Carolina State University Comprehensive Annual Financial Report**



## **Introductory Section**





OFFICE OF  
THE PRESIDENT

## South Carolina State University

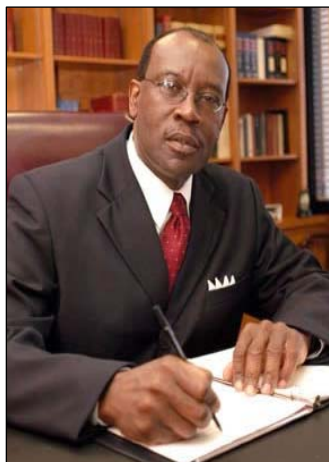
DR. M. MACEO NANCE, JR. HIGHWAY  
300 COLLEGE STREET NORTHEAST  
ORANGEBURG, SOUTH CAROLINA 29117-0001  
(803) 536-7013 / 7014

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### President's Letter 2007

October 9, 2007

Dear Family, Advocates, and Friends of SC State University:



It is an honor to serve as President of South Carolina State University during such an auspicious time in the institution's history. In fact, the 2006-2007 academic year can only be described as ***Exceptional and Historic***. None of these accomplishments could have been realized without the help and support of our Board of Trustees, administration, faculty, staff, students, alumni and other constituents. The support the University has received over the years has been unprecedented. So, I want to say, ***Thank You*** for giving of your time, resources and support.

I am delighted to share with you a few of the many accomplishments that occurred over the past year, as well as the future direction of SC State.

In August 2006, the University opened Phase I of the new student housing and Phase II opened in January 2007. In April 2007, SC State acquired University Village through the newly established Real Estate Foundation. With the new student housing and the acquisition of University Village, SC State has upgraded and enhanced over 50% of its student housing to state-of-the-art, apartment-style living accommodations.

In the area of financial reporting, the University submitted its audit information to the Comptroller's General Office on September 27, three days prior to the September 30 deadline. This is a first for the University. The University also received its second Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada. SC State is only one of five public universities in the state to receive this award.

In addition, the University received national coverage in the *Chronicle of Higher Education* for its Nuclear Engineering program and institutional graduation rate. For the second consecutive year, *Washington Monthly* magazine ranked SC State as the #9 National University, as well as ranking as America's #1 Social Mobility University.

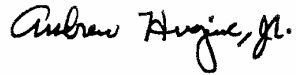
While the preceding accomplishments were exceptional, hosting the first nationally televised debate of the 2008 election cycle was truly historic. The coverage which MSNBC provided for the University was immeasurable. From the *NBC Nightly News* with Brian Williams to *Hardball* with Chris Matthews, to the debate itself, the world was introduced to South Carolina State University. For the coverage period, April 16 – May 7, the Nielsen Audience was 119,526,115 and the total calculated publicity value for the institution was \$4,027,419.

For all of us associated with the university, this was a "once in a lifetime" experience and our time of "Super Bowl" exposure. The debate brought together a team of the Democratic Party, state officials, the City of Orangeburg, County of Orangeburg, and many corporate sponsors. This was indeed a team effort and the thanks goes to the University Co-chairs, members of the Board of Trustees, faculty, staff, volunteers, and particularly, our students, who represented themselves and the University quite well. In its 111-year history, no event has had such a positive impact on the University, relative to international exposure, than this debate.

While this year was exceptional and historic, the future holds even more promise as we continue to position the University for sustained growth and development in the areas of academics, financial affairs, capital improvement and student services. The recently approved Strategic Plan will guide this effort.

In closing, I ask for your continued support as we each work toward an even better University. I again thank all of you for having the University's best interest in mind and at heart.

Sincerely,

A handwritten signature in black ink that reads "Andrew Hugine, Jr." in a cursive script.

Andrew Hugine, Jr., Ph.D.  
President



Senior Vice President  
of  
Finance, Facilities and Management  
Information Systems

## South Carolina State University

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(803) 536-7013 / 7014

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**October 8, 2007**

### **LETTER OF TRANSMITTAL**

#### **To the President and Members of the Board of Trustees:**

Management is pleased to present to you the Comprehensive Annual Financial Report of South Carolina State University for the fiscal year ended June 30, 2007.

Management asserts that this financial report is complete and reliable in all material respects, and accepts full responsibility for the completeness and reliability of all the information presented in this report. Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction. The University's MD&A can be found immediately following the report of the independent auditor.

#### **Profile of the University**

South Carolina State University (SC State), a senior comprehensive teaching and 1890 land-grant institution, is committed to providing affordable and accessible quality undergraduate and graduate degree programs. SC State is a Public University, with a student population of approximately 4,500 located in Orangeburg, SC. Orangeburg is a small rural/agricultural city in the middle of the state that has evolved to include businesses and industries that are national and international in scope. The University currently offers 54 undergraduate degree programs through three academic colleges and nine graduate degree programs (1 doctoral degree and 8 master's degree programs).

SC State's 1890 land-grant legacy of service to citizens of the local community, the state, nation, and global society is ensured through its collaborative efforts with businesses, secondary education, colleges and industries. This symbiotic relationship provides a catalyst that spurs reciprocal economic and social growth for all.

#### **Economic Environment**

SC State realized an overall enrollment increase of approximately 3% in fiscal year 2007. We anticipate the growth of enrollment will continue, spurred primarily by the construction of a new apartment-style residential community (thirteen buildings) and the policy to keep tuition and fee increases at a minimum. Management implemented a Board of Trustees approved 11% increase in tuition and fees along with a 5% increase in room and board for fiscal year 2007. The revenue derived from these increases was used to offset inflation, to assist in addressing deferred maintenance on the campus, and to increase faculty salaries in order to attract and retain highly-qualified faculty.

Although the state's economic indicators suggest improvement in the state's economy, it is questionable as to whether this improvement will result in any significant increase in operating revenue for higher education. Correspondingly, we do not expect any significant reductions in state appropriations for fiscal year 2008. Funds will be used conservatively to maximize reserves which may be needed to absorb unanticipated reductions. As revenue streams improve for the State, we anticipate the majority of the state's education budget will be designated for K-12 and human services programs. The legislature has earmarked South Carolina Education Lottery funds for tuition assistance directly to students, and to institutional technology projects, but has steadily decreased funding for general operations. The fiscal year 2007 state budget appropriated to SC State operations represents only 82% of the amount appropriated for fiscal year 2001.

With respect to tuition revenue, SC State's in-state tuition is in the lower range for its South Carolina peers. For fiscal year 2008 the Board of Trustees voted to keep the tuition at the 2007 level, thus a zero increase for fiscal year 2008. The Board of Trustees realizes that it is becoming a major burden on many families we serve to continue with the annual increases in tuition. However, the governing body will continue monitoring the issue of whether or not to raise resident tuition while still striving to remain competitive with other colleges and universities in the state.

SC State is situated in a rural county, and as a result, the operations of the institution have a substantial economic impact on the surrounding communities. To document this fact, the results of an economic impact study done in 2006 of SC State revealed the following:

***“There are many facets to the economic impact of an institution of higher education, including both the short-term impacts on the local economy via local spending by the University and its faculty, staff, students and visitors, and the longer-term impact on the economy based on higher education levels, increased productivity and improvements in the quality of life in the area. The purpose of this economic impact research has been to quantify the first set of impacts (e.g. those impacts on economic activity that can accurately be estimated using the standard tools of economic impact analysis).”***

Consequently, the research focused on the economic impact of the following specific activities associated with SC State:

1. The regular, ongoing operations of the university itself – including the cost of faculty, staff, and other non-labor expenditures.
2. University construction projects, specifically for fiscal year 2005, and also for several recent years, as well as planned projects for the future.
3. SC State University student expenditures in the local economy, excluding payments directly to the university.
4. Visitor spending at the 2004 SC State University Homecoming football game.

A sample of the economic impact of these activities for fiscal year 2004-05 is provided below. Many of these components are relatively stable from year to year, and these results provide a good indication of predicted future impacts. Moreover, the construction component in particular can be expected to have a substantially higher economic impact in coming years as the university engages in several large-scale capital projects, which in addition to modernizing, expanding and enhancing the university's facilities, will also provide a significant boost to the local economy.

SC State's economic impact for fiscal year 2004-2005 included:

- A total addition to the local economy of \$152.5 million. This represents the level of sales at local businesses that can be attributed to the presence of SCSU.
- A total impact on local household income of \$69.5 million. This represents the portion of Orangeburg area household income that can be traced to the activities of SC State University.
- A total of 1,558 jobs in the Orangeburg area reflecting jobs at the university, as well as jobs throughout every sector of the local economy.
- Total local sales tax collections of \$500,000 annually – representing a substantial portion of total local sales taxes collected in Orangeburg County.

## **FINANCIAL INFORMATION**

### **Internal Controls**

Management maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. An internal control structure has been implemented to accomplish two primary objectives: (1) ensure that the University's assets are protected from loss, theft, or misuse, and (2) ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with legal requirements and Generally Accepted Accounting Principles (GAAP).

The concept of reasonable assurance recognizes that, the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits require estimates and judgments by management. Because the cost of internal controls should not outweigh their benefits, the University's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.



### **Budgetary Controls**

SC State prepares, on an annual basis, a budget that provides reasonable estimates of revenues and expenditures. The budgetary process encompasses all operating budgets of the university to include educational and general activities, the operations of auxiliary enterprises, all sponsored program activities, and all capital projects. The budget's preparation is based on programmatic planning by the university through department heads, academic offices, the president's cabinet, and the President. The budget is then presented to the Board of Trustees for approval. Budget versus actual reports are prepared quarterly for review and presentation to the Audit and Finance Committee, and Board of Trustees.

### **Debt Management**

SC State follows a debt management strategy to ensure the university stays within the framework of an acceptable level of debt. Management monitors the debt service level to remain apprised of the effects of long-term debt on the University's credit rating. This strategy acknowledges that, although all University revenues are generally available to meet any need, debt issued for one operational segment should be repaid from the resources generated by that segment.

### **Cash Management**

State law requires that substantially all of the University's receipts and disbursements be made using bank accounts in the name of the South Carolina State Treasurer. The State Treasurer performs almost all cash management activities for the university cash balances on deposit with in-state bank accounts. As a participant in the State's cash management pool, the University receives investment income allocations for certain qualifying cash balances.

### **Risk Management**

SC State participates in the state of South Carolina's state-wide risk management program. The State's program assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group-life insurance benefits.

The University pays premiums to the State's Insurance Reserve Fund to cover the risk of loss related to the following assets and activities, Building and Property (including contents), General Tort Liability, Medical Professional Liability, Blanket Accident Trip Coverage, Automobile Liability, and Automobile Physical Damage.

### **Relevant Financial Policies**

In addition to being guided by its own strategic plan, the University is a part of state government in South Carolina, and as such, follows state law and policies regarding procurement, construction, human resource practices, contract and grant funding, and other operating practices. A budget, which is built on a robust internal budget process, is submitted annually to the Governor's Office. The University uses a bottom-up process first that requires identified needs from department heads, deans, and chairs.

These requests are forwarded to cabinet members. A budget committee is formed to include the President and presentations are made by each cabinet member. A budget is agreed upon, presented to and approved by the Board of Trustees.

### **Major Initiatives**

Five major initiatives have been identified that will ensure the viability of the Institution. The financial management team is proud to support these initiatives:

#### **1. Strengthen Financial Management**

- A. The 2007 audit report was completed on time. For the second time in recent years, the University's annual report was able to be included in the state of South Carolina's Comprehensive Annual Financial Report (CAFR).
- B. A \$2 million contingency fund is maintained.

#### **2. Capital Improvement and Deferred Maintenance**

Major projects are planned and being implemented to address the University's brick and mortar needs. The following projects and activities were in various stages of implementation during FY 2006-07. Infrastructure projects are targeted in the following areas:

#### **A. Student Housing**

A \$42-million student housing project of the University's student housing plans was completed. The project is a 13-building (approximately 750 beds) apartment-style residential community. In addition the South Carolina State University Real Estate Foundation, Inc. acquired a 384 bed residential facility to house University students. These two housing projects greatly enhanced the quality of University housing. As a result four older housing units were "retired".

#### **B. Classroom Buildings**

1. Plans for Hodge Hall Science Building and expansion were finalized with construction scheduled to begin in winter of 2007. Also plans for the Engineering/Computer Science Building are underway. Both of these projects are funded, in part, from a \$32 million Institutional Bond issue.
2. Repairs and upgrades were implemented in Turner Hall with additional upgrades planned.

#### **C. Administrative and Research Buildings**

1. Construction is scheduled to begin winter of 2007 for restoration of Lowman Hall, one of the oldest building on the campus, and listed on the National Register of Historic places and sites. Upon completion, scheduled for fall 2009, this facility will house various administrative offices including the president's office.
2. The James E. Clyburn Transportation Research and Conference Center, Phase I is under construction with site work completed and the transit center is scheduled to begin construction in winter 2007.

#### **D. Dining Facilities**

1. Renovations to Washington Dining Hall and to the Pitt are being enjoyed by students, faculty and staff.
2. Plans are being finalized for a third dining facility on the campus and will be occupied during the 2008 fiscal year.

#### **E. Bookstore**

Operations and Management are outsourced to Follett Higher Education Group. They have completed \$230,000 of renovation and upgrade to the bookstore.

#### **F. Facilities Maintenance**

Sodexo Campus Services has agreed to work with the University and ensure that the campus community is clean and environmentally safe. As an outsourced company, Sodexo provides effective management of human, financial, and physical resources.

#### **2. Improve quality of academic programs**

Academic quality is a result of a dedicated faculty and the leadership provided by the University's Vice President of Academic Affairs. The faculty continually strives for excellence as noted by their peers throughout national publications. The accomplishments of the faculty are numerous. For example, in addition to having 93% of accreditable programs accredited, the University continues to receive high ranks in the production of doctorates in education administration, in mathematics and statistics, and in biological and biomedical sciences programs. Moreover, whereas colleges and universities are expected to be engines of "*social mobility*" and produce the academic minds and scientific research that advance knowledge and drive economic growth, the University ranks 1st (*The Washington Monthly College Third Annual College Ranking 2008*).

#### **3. Strategically planning for the future.**

The development of a strategic plan greatly helps to clarify the University's plans and ensures that key managers within the University are all on the same page. Simply put, strategic planning determines where a University is going, how it will get there, and explains how it will know if it got there or not.

Financial management supports the University's Strategic Plan that defines and articulates the following:

- A. The University's goals and objectives.
- B. The purpose of the University and the realistic goals and objectives consistent with the Institution's mission, and the time frame within the University's capacity for implementation.
- C. The priority in which the University's resources should be focused.
- D. A base from which progress can be measured and a mechanism for informed change when needed.

**4. Enhance student life and performance.**

Management is committed to the theory and practice of *"helping students learn and grow."* Evidence support the claim that students are truly achieving learning and development goals that includes intellectual, cognitive, social, civic, political, moral, ethical, and spiritual dimensions.

**OTHER INFORMATION**

**Independent Audit**

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. Under the terms of this contract, Cherry, Bekaert and Holland, LLP (CB&H) will perform an audit of the University's financial statements and the University's federal financial assistance programs through fiscal year 2009.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2007, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the University's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to an independent audit, SC State is audited on a periodic basis by the SC Budget & Control Board to ensure compliance with provisions of the South Carolina Procurement Code.

**Certificate of Achievement for Excellence in Financial Reporting**

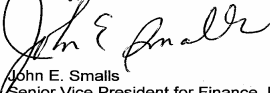
The Government Finance Officers Association of the United States and Canada, for the second year in a row awarded a Certificate of Achievement for Excellence in Financial Reporting to South Carolina State University for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2006 and 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine it's eligibility for another certificate.

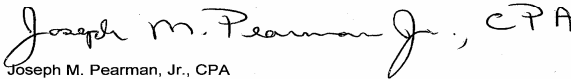
**Acknowledgments**

Management thanks the President of the university and members of the Board of Trustees for their continued support and dedication to excellence and integrity in fiscal affairs of the South Carolina State University. We would also like to extend our appreciation to all of our colleagues across campus whose dedication and hard work resulted in a successful closure of the fiscal year.

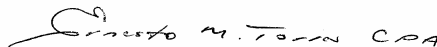
Sincerely,



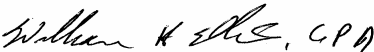
John E. Smalls  
Senior Vice President for Finance, Facilities & MIS



Joseph M. Pearman, Jr., CPA  
Assistant Vice President for Fiscal Affairs



Ernesto Torres, CGFO, CPA  
Controller



William Ellis, CPA  
Accounting Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Carolina State  
University

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



# South Carolina State University

## Board of Trustees

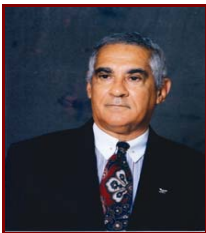
### 2006-2007



Governor Mark Sanford



Maurice G. Washington  
Chairman, Sixth District



Col. (Retired) John T. Bowden, Jr.  
At -Large



Jonathon Pinson  
At-Large



Earl A. Bridges, Jr.  
At-Large



Dr. John H. Corbitt  
Fourth District



Reggie Gallant  
Second District



Karl V. Green  
First District



Linda K. Edwards Duncan  
Fifth District



Martha S. Smith  
Gubernatorial Appointee



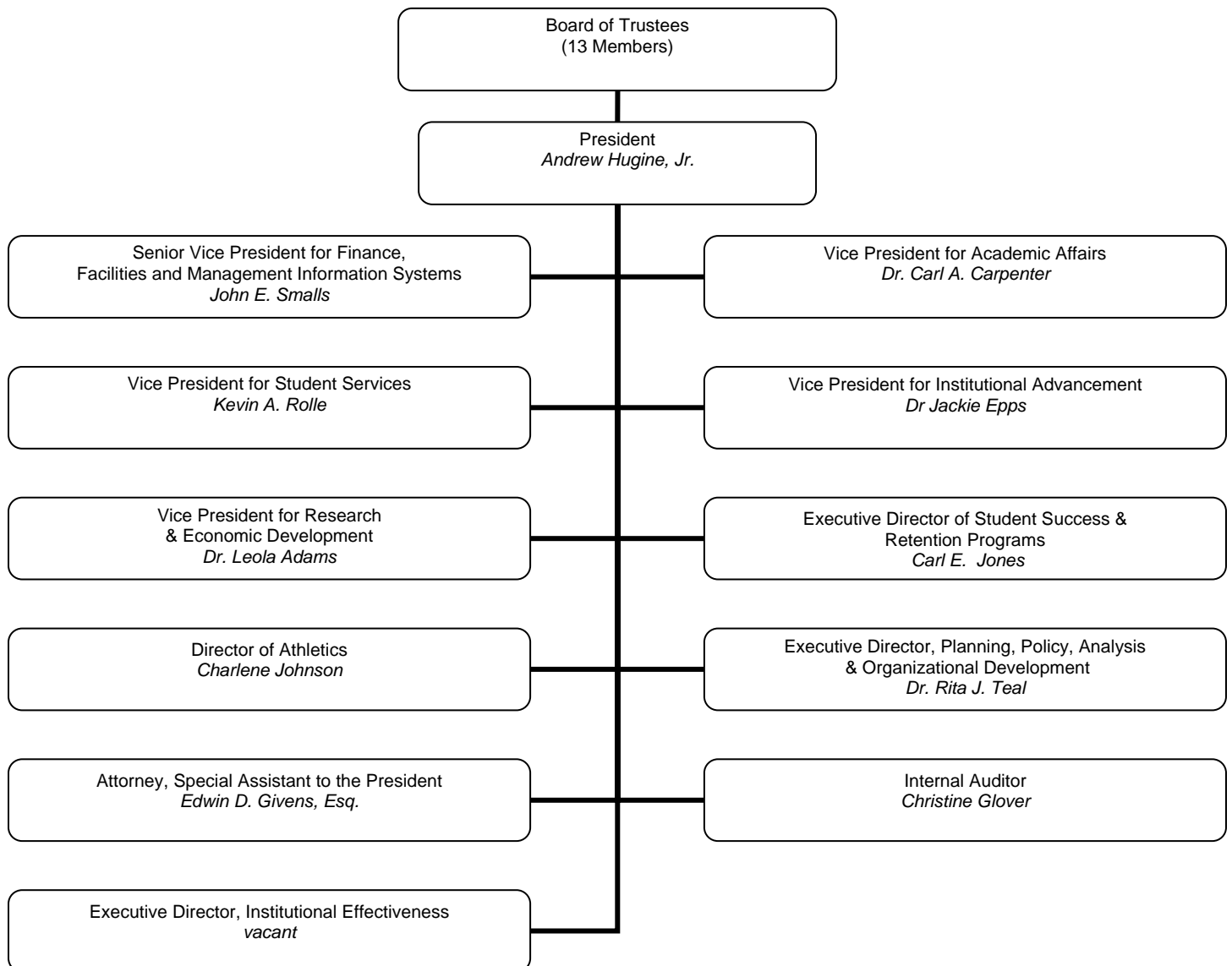
Attorney Charles H. Williams  
At-Large



Lumus Byrd, Jr.  
Third District

# South Carolina State University

## Organizational Structure



**South Carolina State University**  
**Business and Finance Officers**

**John E. Smalls**

Senior Vice President for Finance, Facilities and MIS

**Joseph M. Pearman, CPA**

Assistant Vice President for Fiscal Affairs

**Ernesto M. Torres, CGFO, CPA**

Controller

**William Ellis, CPA**

Accounting Manager

# **South Carolina State University Comprehensive Annual Financial Report**



**Financial Section**





## Independent Auditors' Report

Members of the Board of Trustees  
South Carolina State University  
Orangeburg, South Carolina

We have audited the accompanying financial statements of the business type activity and the discreetly presented component unit of **South Carolina State University**, (The University) as of and for the year ended June 30, 2007 which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of South Carolina State University Foundation, Inc. a component unit of The University. South Carolina State University Foundation, Inc.'s financial statements reflect 4% of total assets as of June 30, 2007 and 2% of total revenues for the year then ended. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for this component unit, are based solely on the report of 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 South Carolina State University Foundation, Inc. were not audited 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 provides a reasonable basis for our opinions.

As discussed in Note 1 to the basic financial statements, the accompanying financial statements of The University are intended to present the financial position, the changes in its financial position, and cash flows of only that portion of the business type activities of the State of South Carolina financial reporting entity that is attributable to the transactions of The University. They do not purport to and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activity and the aggregate discreetly presented component unit of South Carolina State University as of June 30, 2007, and the changes in its financial position and its cash flows for the year then

ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2007 on our consideration of The University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 18 through 22 are not a required part of the basic financial statements but are 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 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 financial statements that collectively comprise the University's basic financial statements. The information presented in the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on it.

*Cheng Beckert + Holland, C.L.P.*

Hilton Head Island, South Carolina  
October 9, 2007

# **SOUTH CAROLINA STATE UNIVERSITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Year Ended June 30, 2007**

#### **Introduction**

We are pleased to submit the annual Financial Statements for South Carolina State University (SCSU) for the fiscal year ended 2007. The following discussion and analysis has been prepared by the management of South Carolina State University to provide an overview of the financial activities of the University for the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements and the accompanying notes to the financial statements. The financial presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statement's and Management's Discussion and analysis for Public Colleges and Universities*. During fiscal year 2004 the University implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An amendment of GASB 14*, and for the fourth year has incorporated one non-governmental component unit, the South Carolina State University Foundation, Inc. There are two South Carolina State University Foundation, Inc. statements presented separately in the University's report. These statements are the (1) Statement of Financial Position and the (2) Statement of Activities. The management discussion and analysis addresses the activity of the University and does not include financial activity of the Foundation. Information presented in the Financial Statements is designed to aid a wide variety of readers in assessing the effectiveness of the University's management in using its resources to meet its primary mission of instruction, research, and public service and to provide a comprehensive picture of the University's financial activities and soundness.

#### **Using this Annual Report**

This annual report consists of a series of financial statements as follows: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements emphasize the financial condition of the University, the cash flows (sources and uses of funds) of the University as a whole, and the results of operations. As a result of the implementation of GASB Statement 34, public colleges and universities of South Carolina elected to report as business type activities (BTAs). Therefore these statements are intended to provide a view of the University's financial position similar to that presented by most private sector companies. The financial statements are presented using the accrual basis of accounting. The accrual basis of accounting takes into consideration all of the University's revenue and expenses regardless of when cash is received or payments are made. Significant revenues of the University such as state appropriations, gifts, and investment income are considered non-operating.

#### **Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. This statement is a point-of-time financial statement that provides the reader with a fiscal snapshot of South Carolina State University. The Statement of Net Assets consists of assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities). Current assets consist principally of cash and receivables. The current portion of the assets will be converted to cash within one year to be used to pay for the current portion of the liabilities. Current liabilities consist principally of accounts payables and accrued compensation. These liabilities will be settled within one year. Non-current assets consist primarily of capital assets, net of accumulated depreciation. Non-current assets will not be converted to cash within one year. Non-current liabilities consist primarily of notes and bonds payables, net of the current portion, and accrued compensation, net of the current portion. Non-current liabilities will not be settled within one year. Net assets are divided in three major categories. The first category, Invested in Capital Assets, Net of Debt, provides the University's equity in property, plant, and equipment owned by the University. The next category is restricted net assets, which is further divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is for investment purposes only and therefore not available for expenditure. The expendable restricted net assets are available for expenditure by the University but are restricted for specific purposes based on defined restrictions by donors and/or external entities. The third category of net assets is unrestricted net assets. These assets may be expended for any lawful purpose of the University.

The "Condensed Statement of Net Assets" as shown below, presents a comparison of assets, liabilities, and net assets between June 30, 2006 and June 30, 2007.

### Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>	<u>Increase Decrease</u>	<u>Percent Change</u>
<b>Assets:</b>				
Current Assets	\$ 14,176,522	\$ 15,177,036	\$ (1,000,514)	-6.59%
Non-current Assets	50,511,323	14,570,338	35,940,985	246.67%
Capital Assets, Net	83,600,797	70,503,211	13,097,586	18.58%
<b>Total Assets</b>	<b><u>\$ 148,288,642</u></b>	<b><u>\$ 100,250,585</u></b>	<b><u>\$ 48,038,057</u></b>	<b><u>47.92%</u></b>
<b>Liabilities:</b>				
Current Liabilities	\$ 14,295,356	\$ 14,718,820	\$ (423,464)	-2.88%
Non-current Liabilities	78,882,246	29,429,736	49,452,510	168.04%
<b>Total Liabilities</b>	<b><u>\$ 93,177,602</u></b>	<b><u>\$ 44,148,556</u></b>	<b><u>\$ 49,029,046</u></b>	<b><u>111.05%</u></b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 40,512,395	\$ 43,854,819	\$ (3,342,424)	-7.62%
Restricted-Nonexpendable	901,382	868,477	32,905	3.79%
Restricted—Expendable	12,639,237	6,160,620	6,478,617	105.16%
Unrestricted	1,058,026	5,218,113	(4,160,087)	-79.72%
<b>Total Net Assets</b>	<b><u>\$ 55,111,040</u></b>	<b><u>\$ 56,102,029</u></b>	<b><u>\$ (990,989)</u></b>	<b><u>-1.77%</u></b>

The vast majority of current assets (96%) are composed of cash and cash equivalents and accounts receivable, net of allowance for doubtful accounts. Current liabilities consist primarily of account payable, accrued payroll and compensated absences, accrued interest payable, and deferred unearned student revenues (85%).

The increase in Non-current assets is almost wholly attributable to the increase in restricted cash and cash equivalents related to a State Institution bond issue in the amount of \$32,825,000 for the renovation of Hodge Hall and the construction of the Engineering Computer Science building. The increase in Capital Assets is mainly the capitalized construction costs incurred during the fiscal year for the new student residential life facility. Current assets and current liabilities stayed somewhat consistent from the prior year. The increase in non-current assets is a result of bonds and notes payable (net of current payables) for the \$32,825,000 State Institution bond issued and the draws for the newly capitalized student residential life facility. The University experienced unrestricted expenditures above unrestricted revenues resulting in a decrease in unrestricted assets of \$4.1 million. The explanation of the expenditure increase is explained in the narrative under the statement of revenues, expenses, and changes in net assets below.

Net assets are a good indicator of the University's financial position and will become a more useful trend measurement tool of financial strength once additional historical data is obtained.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets is a presentation of the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or non-operating. The financial reporting model selected by public institutions classifies state appropriations and gifts as non-operating revenues. Since the University is a public institution and depends upon state aid and gifts, the University's statement will result in an operating deficit, all things being equal. This statement will reflect the utilization of long-lived or capital assets in the form of depreciation expense. Depreciation expense amortizes the cost of a capital asset over its expected useful life.

Generally speaking, operating revenues are earned or received for providing goods and services to the various customers or students and constituencies of the University. Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided. Operating revenues and expenses are a result of carrying out the mission of the University. Non-operating revenues are received for which there is not a reciprocal agreement – no goods and services are provided.



**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating Revenues</b>				
Student tuition and fees (net of allowance)	\$ 28,602,261	\$ 24,964,972	\$ 3,637,289	14.57%
Grants and contracts	22,584,708	32,281,281	(9,696,573)	-30.04%
Sales and services (net of allowance)	10,899,282	10,077,550	821,732	8.15%
Other operating revenues	5,520,170	3,664,130	1,856,040	50.65%
<b>Total Operating Revenues</b>	<b>\$ 67,606,421</b>	<b>\$ 70,987,933</b>	<b>\$ (3,381,512)</b>	<b>-4.76%</b>
<b>Operating Expenses</b>				
Salaries and wages and related fringe benefits	54,803,833	52,514,428	2,289,405	4.36%
Services, supplies, and others	39,481,023	32,964,549	6,516,474	19.77%
Utilities	3,893,158	3,942,948	(49,790)	-1.26%
Scholarships	10,928,770	9,251,971	1,676,799	18.12%
Depreciation	2,515,799	1,747,984	767,815	43.93%
<b>Total Operating Expenditures</b>	<b>\$ 111,622,583</b>	<b>\$ 100,421,880</b>	<b>\$ 11,200,703</b>	<b>11.15%</b>
<b>Operating Loss</b>	<b>\$ (44,016,162)</b>	<b>\$ (29,433,947)</b>	<b>\$ (14,582,215)</b>	<b>49.54%</b>
<b>Non-Operating Revenues (Expenses)</b>				
State appropriations	27,248,187	27,216,448	31,739	0.12%
Federal grants	10,754,909	3,715,691	7,039,218	189.45%
Gifts	168,514	-	168,514	100.00%
Interest and other investment income	1,263,321	340,829	922,492	270.66%
Interest and other fees on capital assets and related debt	-	(309,868)	309,868	-100.00%
Remittances to the State	(225,932)	(201,206)	(24,726)	12.29%
Loss on disposal of assets and other non-operating	(53,057)	99,597	(152,654)	-153.27%
<b>Non-Operating Revenues (Expenses)</b>	<b>\$ 39,155,942</b>	<b>\$ 30,861,491</b>	<b>\$ 8,294,451</b>	<b>26.88%</b>
Income before other revenues, expenses, gains or losses	(4,860,219)	1,427,544	(6,287,763)	-440.46%
Capital grants and gifts and Capital Improvement Bonds	3,869,231	602,029	3,267,202	542.70%
<b>Increase in Net Assets</b>	<b>\$ (990,988)</b>	<b>\$ 2,029,573</b>	<b>\$ (3,020,561)</b>	<b>-148.83%</b>
Net Assets at Beginning of Year	\$ 56,102,029	\$ 54,072,456	\$ 2,029,573	3.75%
<b>Net Assets at End of Year</b>	<b>\$ 55,111,041</b>	<b>\$ 56,102,029</b>	<b>\$ (990,988)</b>	<b>-1.77%</b>

Operating revenues for Student Tuition and Fees and the Auxiliary Enterprises have been shown net of Scholarship Allowances. This is a calculation and reporting requirement as a result of the implementation of GASB 34/35. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the institution and the amount that is billed to the student and/or third parties making payments on behalf of the student. Overall operating revenues decreased from fiscal year 2006 to 2007 by approximately \$3.3 million. This reduction is attributable to reclassifying certain grants from operating to non-operating. Student tuition and fee revenue increased as a result of a Board mandated fee increase. The increase in other operating revenues is a result of an increase in revenues pledged for future revenue bond payments.

There was an increase of \$11.2 million in operating expenses from fiscal year 2006 to fiscal year 2007. Salaries and wage expense increased due to a 3% legislative mandated cost of living increase. Service, supplies and other recognized a \$6.5 million increase as a result of a variety of items. To support the Athletic Department's and the Band's operations there were \$1.6 million and \$235,000, respectively, additional dollars expended over the prior year. The University held the first Democratic debate on its campus and as a result incurred \$685,000 in cost in renovations and wiring costs. The University also incurred \$1 million interest expense for the \$32 million state institution bond issue. There was an increase of expense of \$550,000 related to the outsourcing of University food services. This additional expense was offset by additional revenues of the auxiliary. There was also an increase of \$400,000 related to the facilities outsource contract. The remainder of the increase was spread throughout the other campus operations. The increase in scholarships is mainly attributable to the Board mandated fee increase. The increase in depreciation is attributable to the depreciation of portion of the newly capitalized student residential life facility.

Non-operating revenues (expenses) increased by \$8.2 million. This increase is mainly attributable to the reclassification of certain grants from operating to non-operating and the interest earned on the unexpended \$32,825,000 State Institution bond issue.

The University's "Operating Loss" of \$44 million is due mainly to the fact that State Appropriations (\$27.2 million) and certain Federal grants (\$10.7 million) were determined not to be operating revenues for colleges and universities according to GASB 35. These two revenue lines appear under "Non-operating Revenues." The increase in operating expenditures over the increase in operating revenues for fiscal year 2007 increased the operating loss from 2006 by \$14.5 million.

### **Statement of Cash Flows**

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss on the Statement of Revenues, Expenses and Changes in Net Assets.

### **Capital Asset and Debt Administration**

The University's "Statement of Net Assets" reflects total Capital Assets, net of accumulated depreciation, as of June 30, 2007 of \$84.1 million. This amount is presented net of accumulated depreciation and includes land, plant (facilities), equipment, construction in progress. Significant to the facilities total is that of the fifty-five buildings listed in the financial records, 62% of these buildings are more than 30 years old. Eleven of the fifty-five facilities are students' residential facilities.

The University's financial statements indicate \$76.4 million in notes and bonds payable. The University's bonded indebtedness consisted of: State Institution bonds of \$36.3 million, stadium improvement revenue bonds of \$1.2 million, and student residential life building revenue notes of \$38.9 million. Revenue bonds for stadium improvement and student housing notes are paid with pledged net revenues. For additional information on Debt Administration, see Notes 9, 10 and 11 in the notes to the financial statements.

The University had \$7.77 million in construction in progress as of June 30, 2007. The components of the construction in progress are related to the renovation of Hodge Hall (\$3.5 million), the Architecture and Engineering and construction of the James E. Clyburn Transportation Center (\$2.3 million), renovation of Lowman Hall (\$581,000), the Library Expansion (\$226,000), Dawson field (\$642,000), Turner Hall (\$195,000), Chestnut entrance (\$134,000) and Camp Daniel (\$117,000). New capital equipment and machinery, with an individual cost of \$5,000 per item, was decreased during the fiscal year by \$437,861 offset by write offs amounting to \$628,220 for disposal of equipment. See Note 5 for further detail of the capital assets.

### **Economic Outlook**

There are no known conditions that will significantly affect the economic outlook for the University. The University recognized a slight reduction in undergraduate headcount enrollment from the 2005-2006 fiscal year to the 2006-2007 fiscal year. The University has reinvented its' recruiting strategy and has likewise increased the funding for recruiting. The University anticipates a significant undergraduate enrollment for fiscal year 2008. If the enrollment comes to fruition the increased revenue will be used to offset the anticipated inflationary costs in the upcoming year. With the impending drop in housing sales and climb in interest rates there is a possibility of the country falling into a recession. Therefore we anticipate no increased funding through State appropriations in the upcoming year. In order to keep education affordable the University's Board showed restraint by not approving any tuition and fee increase for fiscal year 2008 with the exception of a 5% increase in both the meal plan of and housing fee. The University still faces significant deferred maintenance issues on the campus. The revenue derived from the increases will be used to assist in the auxiliary related facilities deferred maintenance issues on the campus. With no anticipated base appropriation increase, the expectation of the State Legislature not issuing new Capital Improvement Bonds in the upcoming year, and rising costs of utilities and building materials, the University is taking a cautious approach to spending in order to continue to fund deferred maintenance problems on the campus and enhance the academics at the University.

**SOUTH CAROLINA STATE UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
For the year ended June 30, 2007

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 2,322,096
Accounts receivable (net of allowance for bad debts \$ 1,260,664)	3,628,342
Federal grants receivable	5,712,860
State grants receivable	289,438
Private receivables	80,300
Other receivables	1,642,080
Prepaid items	501,406
Total Current Assets	<u>14,176,522</u>

**Non-Current Assets**

Restricted cash and cash equivalents	45,785,646
Student loans receivable (net of allowance for bad debts \$ 651,072)	4,046,846
Investments	105,183
Land	2,471,814
Buildings and improvements	111,445,517
Machinery, equipment, and vehicles	8,780,787
Accumulated depreciation	(46,873,623)
Construction in progress	7,776,302
Note issue costs (net of amortization \$ 112,501)	573,648
Total Non-Current Assets	<u>134,112,120</u>

**Total Assets**

148,288,642

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued expenses	4,556,373
Accrued payroll and related liabilities	1,597,430
Deferred and unearned student revenue	3,428,110
Student deposits	213,029
Compensated absences payable	1,430,387
Accrued interest payable	1,075,496
Retainage payable	112,800
Notes and bonds payable	1,881,731
Total Current Liabilities	<u>14,295,356</u>

**Non-Current Liabilities**

Compensated absences payable	2,288,632
Notes and bonds payable	74,605,319
Federal loan fund contributions	1,988,295
Total Non-Current Liabilities	<u>78,882,246</u>

**Total Liabilities**

93,177,602

**NET ASSETS**

Invested in capital assets, net of related debt	40,512,395
Restricted for:	
Nonexpendable:	
Endowed professorships	901,382
Expendable:	
Student loans	2,572,110
Debt service and capital projects	10,067,127
Unrestricted	1,058,026
Total Net Assets	<u>\$ 55,111,040</u>

**See Accompanying Notes to Financial Statements**

**SOUTH CAROLINA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For the year ended June 30, 2007

**OPERATING REVENUES:**

Student tuition and fees (net of scholarship allowance of \$7,847,003)	\$ 28,602,261
Federal grants and contracts	14,407,711
State grants and contracts	8,129,227
Non-governmental grants and contracts	47,770
Sales and services of educational departments and other activities	1,779,448
Sales and services of auxiliary enterprises (net of scholarship allowance of \$3,473,531)	9,119,834
Other operating revenues pledged for revenue bonds	4,480,470
Other operating revenues	1,039,700
Total operating revenues	<u>67,606,421</u>

**OPERATING EXPENSES:**

Salaries and wages	43,907,124
Fringe benefits	10,896,709
Services, supplies, and others	39,481,023
Utilities	3,893,158
Scholarship	10,928,770
Depreciation and Amortization	2,515,799
Total Operating Expenses	<u>111,622,583</u>
Operating (Loss)	<u>(44,016,162)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	27,248,187
Federal grants	10,754,909
Gifts	168,514
Interest and other investment income	1,263,321
Loss on disposal of assets	(53,057)
Remittances to the State	(225,932)
Net Non-operating Revenue	<u>39,155,942</u>

(Loss) before other revenues, expenses, gains or losses (4,860,220)

Capital grants and gifts	1,369,231
Capital improvement bond proceeds	2,500,000
Decrease in net assets	<u>\$ (990,989)</u>

Net Assets - Beginning of Year	56,102,029
Net Assets - End of Year	<u><u>\$ 55,111,040</u></u>

See Accompanying Notes to Financial Statements

**SOUTH CAROLINA STATE UNIVERSITY****STATEMENT OF CASH FLOWS**

For the year ended June 30, 2007

**Cash Flow From Operating Activities**

Tuition and fees	\$ 28,061,616
Federal Grants and contracts	14,839,535
State Grants and contracts	9,275,591
Other Grants and contracts	73,838
Sales and services of education and other activities	1,779,447
Sales and services of auxiliary and enterprises	9,119,834
Other operating revenues	6,528,494
Payments to employees for salaries and benefits	(56,867,242)
Payments to suppliers	(42,215,849)
Payments for utilities	(3,893,158)
Payments to students for scholarships and fellowships	(10,928,770)
Loans issued to students	(552,560)
Collection of loans to students	134,873
Funds held for others	(110,875)
Other	52,465

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**Net Cash Provided (Used) By Operating Activities** \$ (44,702,761)


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**Cash Flows From Non-Capital Financing Activities**

State appropriations	\$ 27,248,187
Federal Grants and contracts	10,754,909
Gifts	168,514
Indirect cost transfer remitterd to the State	(225,932)

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**Net Cash Provided (Used) by Non-Capital Financing Activities** \$ 37,945,678


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**Cash Flows From Capital Debt and Related Financing Activities**

Proceeds from federal/donated capital projects	\$ 1,369,231
Purchases of capital assets	(17,426,593)
Proceeds from note	50,531,018
State Capital Bond Proceeds	2,500,000
Principal paid on capital debt and issuance costs	(692,360)
Interest paid on capital related debt	686,749

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**Net Cash Provided (Used) by Capital Debt and Related Financing Activities** \$ 36,968,045


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**Cash Flows From Investing Activities**

Interest on investments	\$ 1,263,321
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**Net Cash Provided (Used) by Investing Activities** \$ 1,263,321


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Net change in cash	\$ 31,474,283
Cash and cash equivalents - Beginning of the Year	16,633,459

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**Cash and Cash Equivalents - End of the Year** \$ 48,107,742


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**Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) By Operating Activities**

Operating income (loss)	\$ (44,016,162)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Depreciation expense	2,459,548
Loan Amortization expense	56,251

**Changes in assets and liabilities:**

Accounts receivable, net	(1,682,510)
Allowance for doubtful accounts	(331,713)
Grants / other receivable	(435,518)
Investmemts	(789)
Student loan receivable	(761,491)
Prepaid expenses	(311,933)
Accounts payable and accrued expenses	(1,314,758)
Accrued compensated absences and related liabilities	452,390
Deferred revenue	1,160,717
Student and other deposits	(110,875)
Other	134,082

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**Net Cash Provided (Used) by Operating Activities** \$ (44,702,761)


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**Reconciliation of Cash and Cash Equivalent Balances:**

Current Assets:	
Cash and cash equivalents	\$ 2,322,096
Non-current Assets:	
Restricted cash and equivalents	45,785,646

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**Total Cash and Cash Equivalents** \$ 48,107,742


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See Accompanying Notes to Financial Statements



**SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**

**ASSETS**

Cash and cash equivalents	\$ 1,462,093
Investments	887,831
Accounts receivable	43,012
Unconditional promises to give	326,550
Interest receivable	10,649
Cash value of life insurance	8,437
Investments restricted for long term purposes	71,744
Endowment investments	1,978,991
Endowment unconditional promises to give	446,721
Art collections	224,015
Land	23,700
	<hr/>
Total assets	<u><u>\$ 5,483,743</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 25,025
Payroll taxes payable	719
Due to South Carolina State University	65,313
	<hr/>
Total liabilities	<u>91,057</u>
Net assets:	
Unrestricted:	
Operating	266,827
Invested in land	23,700
	<hr/>
Total unrestricted	290,527
Temporarily restricted	2,189,547
Permanently restricted	2,912,612
	<hr/>
Total net assets	<u>5,392,686</u>
Total liabilities and net assets	<u><u>\$ 5,483,743</u></u>

**SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support, Revenues, and Reclassifications</b>				
Contributions	\$ 134,851	\$ 1,537,478	\$ 637,034	\$ 2,309,363
Investment income	138,259	120,914	-	259,173
Unrealized gains	28,455	-	-	28,455
Net assets released from restrictions:	-	-	-	-
Satisfaction of purpose restrictions	1,015,734	(1,025,734)	10,000	-
	<u>1,317,299</u>	<u>632,658</u>	<u>647,034</u>	<u>2,596,991</u>
Total public support, revenues, and reclassifications				
	<u>1,317,299</u>	<u>632,658</u>	<u>647,034</u>	<u>2,596,991</u>
<b>Expenses</b>				
Programs:				
Scholarships	332,685	-	-	332,685
Educational programs and development	729,829	-	-	729,829
Total programs	1,062,514	-	-	1,062,514
Administration	172,513	-	-	172,513
Fund-raising	109,975	-	-	109,975
	<u>1,345,002</u>	<u>-</u>	<u>-</u>	<u>1,345,002</u>
Total expenses				
	<u>1,345,002</u>	<u>-</u>	<u>-</u>	<u>1,345,002</u>
Change in net assets	(27,703)	632,658	647,034	1,251,989
Net assets at beginning of year	318,230	1,556,889	2,265,578	4,140,697
Net assets at end of year	<u>\$ 290,527</u>	<u>\$ 2,189,547</u>	<u>\$ 2,912,612</u>	<u>\$ 5,392,686</u>

**The Accompanying Notes are an Integral Part of this Statement.**

**SOUTH CAROLINA STATE UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

South Carolina State University (the University) is a State-supported coeducational institution of higher education. The University serves local, regional, state, national, and international communities by providing academic instruction, conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to the public.

**Reporting Entity**

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, was issued in May 2002, and provides additional guidance concerning the inclusion of related party financial information as a part of the reporting entity. The accompanying financial statements present only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component unit.

South Carolina State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is 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 University's financial statements. Copies of the separately issued financial statements of the Foundation can be obtained by sending a request to South Carolina University Foundation, Post Office Box 7157, Orangeburg, South Carolina 29501.

The University is part of the primary government of the State of South Carolina.

**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. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

The Foundation is a private nonprofit organization that reports under FASB, including FASB Statement No.s 116 and 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Cash and Cash Equivalents**

For purposes of the financial statements, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **Investments**

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

The Foundation Investment securities and donated negotiable assets are stated at market value. Investment income is reported net of investment fees and service charges.

### **Accounts Receivable**

Accounts receivable consists of tuition and fees charged to students, and auxiliary enterprise sales and services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts and for reimbursements of other expenses. Accounts receivable are recorded net of estimated uncollectible amounts.

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements, and 2 to 25 years for machinery, equipment, and vehicles. Depreciation is calculated based on the number of months the item is in use during the year.

The University capitalizes as a component of construction in progress interest costs in excess of earnings on debt associated with the capital projects; therefore asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2007 was \$657,273.

### **Deferred Revenues**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **Compensated Absences and Related Benefits**

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences and related benefits in the Statement of Net Assets, and as components of compensation and benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Assets.

### **Perkins Loans Receivable and Related Liability**

Some of the loans receivable on the Statement of Net Assets are due to the University under the Perkins loan program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a pro-rata share of net earnings on the loans under this program that would have to be repaid to the federal government if the University ceases to participate in the program. The University recognizes as revenue and expenses only the portion attributable to its matching contribution.

### **Net Assets**

The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of 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:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which 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, which may either be expended or added to principal.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources may be used at the discretion of the governing board to meet current expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

### **Income Taxes**

The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(a) of the Internal Revenue Code, as amended.

The Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and is exempt from taxes under Section 501(c) (3).

### **Classification of Revenues and Expenses**

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

*Operating revenues and expenses:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal on-going operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Operating expenses include all expenses transactions incurred other than those related to investing capital or non-capital financing activities.

*Non-operating revenues and expenses:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue, or restricted by the grantor to be used exclusively for capital purposes. Non-operating expenses include interest paid on capital asset related debt, losses on disposal of capital assets, and refunds to grantor.

### **Sales and Services of Educational Departments and Other Activities**

Revenues from sales and services of educational departments and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from community groups using campus facilities for summer camps and other activities.

### **Auxiliary Enterprises and Internal Service Activities**

Auxiliary enterprise revenues are primarily generated by the bookstore, dining services, Brooks Health Center, and housing. Transactions between the University and its auxiliary enterprise activities and its internal service department have been eliminated.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### **Donor Restricted Assets**

The University policy for the treatment of net appreciation (depreciation) on investments of donor restricted endowments increases or decreases the principal. These amounts are not authorized for expenditure.

## NOTE 2 - DEPOSITS AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority of investing State funds. The following schedule reconciles deposits and investments within the notes to the statement of net assets:

	<u>Statement of Net Assets</u>	
	South Carolina State Univ.	South Carolina State Univ. Foundation, Inc.
Cash and cash equivalents (current)	\$ 2,322,096	\$ 1,462,093
Restricted cash and cash equivalents:		
Loan funds	2,295,778	-
Cash for capital project	42,692,880	-
Endowment	796,988	-
Restricted cash and cash equivalents	45,785,646	-
Investments:		
Investments	105,183	887,831
Endowment Investments	-	1,978,991
Restricted Investments	-	71,744
Investments	105,183	2,938,566
<b>Total</b>	<b>\$ 48,212,925</b>	<b>\$ 4,400,659</b>

### Deposits

#### *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a bank failure, The University's deposits may not be returned to it. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

### Other Deposits

The University's and the South Carolina State University Foundation, Inc.'s other deposits are entirely insured or collateralized with securities held by the entity or by its agent in the entities name, or collateralized with securities held by the pledging financial institution's Trust Department or Agent in the entity's name.

At June 30, 2007, The University had investments and maturities as shown below:

Investment Type	Fair Value	Maturity
Common Stock	9,283	
Series 1984 Agricultural College Stock	95,900	2035
	<u>\$ 105,183</u>	

### Investments Held by State Treasurer

These investments consist of Series 1984 Agricultural College stock with a carrying amount of \$95,900 held by the State Treasurer until they mature in 2035. While outstanding, the State is required to pay the University 6 percent per year.

The investment types listed above include all investment types in which monies were held throughout the fiscal year and the balances therein fluctuated minimally in excess of the fiscal year-end balances.

## NOTE 2 - DEPOSITS AND INVESTMENTS – CONTINUED

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the University investment in a single issuer. The University does not have a formal investment policy that requires investments to be spread among more than a single issuer.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for handling investment custodial risk.

### Investments-Non Governmental Discretely Presented Component Units

*The South Carolina State University Foundation, Inc.*

Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each funds beginning fair value total

At December 31, 2006, South Carolina State University Foundation, Inc.'s investments are as follows:

Investments carried at fair value	Cost	Fair Value
Equity Funds and individual securities	\$ 1,640,852	\$ 2,061,937
Fixed income funds and individual debt securities	886,542	876,629
Total investments carried at fair value	<u>\$ 2,527,394</u>	<u>\$ 2,938,566</u>

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007, are summarized as follows:

Tuition and fees	\$ 4,302,994
Less allowance for doubtful accounts	(1,046,883)
Auxiliary enterprises	586,012
Less allowance for doubtful accounts	<u>(213,781)</u>
Net accounts receivable	<u>\$ 3,628,342</u>

The amounts shown above are reported at gross with all discounts and allowances disclosed.

There was no payment of the restitution receivable during this year. However a judgment has been obtained to recoup the receivable against the employee's state retirement account.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2007, the allowance for uncollectible student accounts is valued at \$1,260,664.



#### NOTE 4 – LOANS RECEIVABLE

Perkins Loan Program	\$	2,047,030
Student Emergency Loan Fund		7,403
African American Loan Fund		1,033,264
Education Improvement Act		1,516,722
Other		93,499
Less allowance for doubtful accounts		(651,072)
Net Loans Receivable	\$	<u>4,046,846</u>

#### NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 is summarized as follows:

	Beginning Balance July 1, 2006		Increases		Decreases		Ending Balance June 30, 2007
Capital assets not being depreciated:							
Land and improvements	\$ 2,288,598	\$	183,216	\$	-	\$	2,471,814
Construction in-progress	28,415,916		15,619,013		(36,258,627)		7,776,302
Total capital assets not being depreciated	<u>30,704,514</u>		<u>15,802,229</u>		<u>(36,258,627)</u>		<u>10,248,116</u>
Other capital assets:							
Buildings and improvements	75,186,890		36,258,627		-		111,445,517
Machinery, equipment, and other	7,679,637		219,652		(609,145)		7,290,144
Vehicles	1,291,509		218,209		(19,075)		1,490,643
Total other capital assets at historical cost	<u>84,158,036</u>		<u>36,696,488</u>		<u>(628,220)</u>		<u>120,226,304</u>
Less accumulated depreciation for:							
Buildings and improvements	(38,441,805)		(1,909,814)		-		(40,351,619)
Machinery, equipment, and other	(5,823,177)		(413,178)		558,313		(5,678,042)
Vehicles	(724,256)		(136,556)		16,850		(843,962)
Total accumulated depreciation	<u>(44,989,238)</u>		<u>(2,459,548)</u>		<u>575,163</u>		<u>(46,873,623)</u>
Other capital assets, net of accumulated depreciation	<u>39,168,798</u>		<u>34,236,940</u>		<u>(53,057)</u>		<u>73,352,681</u>
Capital assets, net of accumulated depreciation	<u>\$ 69,873,312</u>	<u>\$</u>	<u>50,039,169</u>	<u>\$</u>	<u>(36,311,684)</u>	<u>\$</u>	<u>83,600,797</u>

#### NOTE 6 - PENSION PLAN

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 11.40 percent which included a 3.35 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2007, 2006, and 2005, were approximately \$2,383,135, \$2,176,691 and \$2,138,000, respectively, and equaled the required contributions of 8.05 percent (excluding the

## NOTE 6 - PENSION PLAN - CONTINUED

surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$44,406 in the current fiscal year at the rate of .15 percent of compensation.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 13.65 percent which, as for the SCRS, included the 3.35 percent surcharge. The University's actual contributions to the PORS for the years ended June 30, 2007, 2006 and 2005 were approximately \$76,023, \$71,392 and 62,204, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$1,476 and accidental death insurance contributions of approximately \$1,476 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.35 percent from the employer in fiscal year 2007.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$378,444 (excluding the surcharge) from the University as employer and approximately \$491,977 from its employees as plan members. 6.4 percent of the total contributions was remitted to the Retirement Division of the State Budget and Control Board. The balance was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies. Also, the University paid employer group-life insurance contributions of approximately \$11,353 in the current fiscal year at the rate of .15 percent of compensation.

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans.

Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

## NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 21,400 retirees met these requirements as of June 30, 2007.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of approximately \$2,791,171 for the year ended June 30, 2007. As discussed in Note 6, the University paid approximately \$991,740 applicable to the 3.35 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

## NOTE 8 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The University is a party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position except as noted in the following paragraph.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of approximately \$3,364,842 on projects that will be capitalized, and \$105,292 which will not be capitalized at June 30, 2007. The University anticipates funding these projects out of current resources, private gifts, student fees and State capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$9,231,278 of undrawn State capital improvement bonds.

The University is contingently liable, under the Capital Project Loan Agreement described in Note 10, for a portion of certain notes payable of other Historically Black Colleges and Universities (HBCU) under the HBCU Capital Financing program. The liability is limited to five percent of the cumulative advances under the Capital Project Loan Agreement. The contingent liability is secured by the South Carolina State University Escrow Account, also described in Note 10. At June 30, 2006 the maximum liability was \$1,932,020. As of June 30, 2007 total charges of \$129,044 have been made against the Escrow Account pursuant to the default of another borrower in the HBCU Capital Finance Program.

A hearing was held by the Chief procurement Officer concerning the early termination dispute between the University and Xerox Corporation. As a result a sealed settlement was reached.

## NOTE 9 - LEASE OBLIGATIONS

Future commitments for operating leases with remaining terms more than one year as of June 30, 2007 are as follows:

	Year ending June 30,	Operating Leases
	2008	\$ 7,324
<hr/>		
Total Minimum Lease Payments		<u>\$ 7,324</u>

## NOTE 9 - LEASE OBLIGATIONS-CONTINUED

### Operating Leases

The University's non-cancelable operating leases are primarily for the use of computer equipment which expires in fiscal years 2006 through 2008. All leases are with external parties. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Through December 2005 the University was under an operating lease agreement with Xerox Corporation. The University paid monthly base charges plus an additional charge per copy for excess usage. Effective January 1, 2006 the University entered into an agreement under the South Carolina State Copier contract with Lanier Worldwide Incorporated. The State copier contract is on a per copy basis and does not meet the definition of a lease. Hence no future lease obligations for this agreement are reflected in the future commitment schedule above.

Total rental payments under operating leases were approximately \$1,050,117 for fiscal year 2007. Approximately \$31,503 of the \$1,050,117 was for contingent rental.

## NOTE 10 – BONDS AND NOTES PAYABLE

Bonds, and Notes Payable consisted of the following at June 30, 2007:

	Interest Rates	Maturity Dates	Balance
Stadium Improvement Revenue Bonds, Series 1993A	4.55- 5.5%	2006-2013	\$ 1,235,000
State Institution Bonds, Series 2003G	3.0 - 5.0%	2006-2023	3,480,000
Bonds Series 2006D	4.00-5.0%	2007-2027	32,825,000
Total Bonds Payable			<u>37,540,000</u>
Note Payable Part 1 Commerce Capital	3.679%	2005-2012	2,135,150
Note Payable Part 2 Commerce Capital	5.830%	2005-2035	35,668,396
Notes Payable Bank of America Part 1	3.888%	2007-2017	695,236
Notes Payable Bank of America Part 2	3.888%	2007-2017	448,268
Total Notes Payable			<u>38,947,050</u>
Total Bonds, Notes Payable			<u>76,487,050</u>
Current			<u>1,881,731</u>
Non-Current			<u>\$ 74,605,319</u>

Revenue received for dormitory and married student housing and any loan subsidies is restricted, up to the amount of annual debt requirements, for the payment of principal and interest on student and faculty housing revenue bonds. All stadium revenue, which includes admission fees, is restricted, up to the amount of annual debt requirements, for the payment of principal and interest on stadium improvement revenue bonds.

For the stadium improvement revenue bonds, the University must maintain its admission fees at an amount necessary to maintain certain specified funding requirements.

The University is required to establish debt reserve funds for the purpose of repaying the student and faculty housing revenue bonds and stadium improvement revenue bonds. In lieu of cash and investments on deposit, the University has purchased a surety bond for each of the revenue bond issues, which will satisfy the debt service requirements upon notice that there are insufficient funds to do so. Repayment of the principal and interest is guaranteed by the Municipal Bond Investors Assurance Corporation pursuant to its insurance policies through final maturity for each of these bonds.

The stadium improvement revenue bonds are subject to redemption prior to their maturity, at the option of the University, on or after January 1, 2006, in whole at any time or in part on any January 1 or July 1, upon thirty (30) days notice, at par. The student and faculty housing revenue bonds are subject to redemption prior to their maturity, at the option of the University, in whole at any time or in part on any June 1 or December 1, upon thirty (30) days notice, at par. As of fiscal year-end, none of these bonds have been called for redemption.

All of these bonds are payable in semiannual installments plus interest.

Scheduled amounts including interest required to complete payment of the stadium improvement revenue bonds as of June 30, 2007 are as follows:

Year Ending June 30	Principal	Interest	Totals
2008	\$ 180,000	\$ 65,640	\$ 245,640
2009	190,000	56,640	246,640
2010	200,000	46,855	246,855
2011	210,000	36,255	246,255
2012	220,000	24,915	244,915
2013	235,000	12,925	247,925
Totals	\$ 1,235,000	\$ 243,230	\$ 1,478,230

#### NOTE 10 – BONDS AND NOTES PAYABLE - CONTINUED

The State of South Carolina (the 'State'), on behalf of the University, issued \$32,875,000 of General Obligation State Institution Bonds, Series 2006D in November 2006. The proceeds of the Bonds will be used for various capital improvements to the University's facilities. The Bonds mature serially each October beginning in 2007 with final maturity in 2026. Bonds maturing on or after October 2017 may be redeemed by the State in any order determined by the State after that date, at par plus accrued interest. Interest is payable each April and October 1, beginning in 2007 at rates from 4.00% to 5.00%. The Bonds are secured by the full faith, credit and taxing power of the State and the tuition fee revenues of the University.

The State Institution Bonds Series, 2003G are also secured by the full faith, credit and taxing power of the State and the tuition fee revenues. The Bonds mature serially and after June 1, 2014 are subject to redemption in whole or if in part on June 1, 2013 and all subsequent payment dates in inverse chronological order of maturity, at the option of the State of South Carolina, at the following redemption prices: June 1, 2013 and December 1, 2013 at 101 percent; June 1, 2014 and thereafter at par. Interest is payable semi-annually at rates from 3.00% to 5.00%

S.C. Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed 90 percent of sums received from tuition and fees for the preceding fiscal year. Tuition fee revenue for June 30, 2006 was \$1,044,138, which results in a legal debt limit of \$939,724. The University's maximum annual debt service requirement of \$2,731,225 will occur during the fiscal year ending June 30, 2009. The tuition fee revenue for June 30, 2007 was \$2,445,521 which results in a legal debt limit of \$2,200,969. The University will adjust tuition fees in subsequent years to cover the debt requirement.

Scheduled amounts including interest required to complete payment of the State Institution bonds as of June 30, 2007 are as follows:

Year Ending June 30	Principal	Interest	Total
2008	\$ 1,210,000	\$ 1,520,406	\$ 2,730,406
2009	1,260,000	1,471,225	2,731,225
2010	1,305,000	1,418,762	2,723,762
2011	1,355,000	1,364,450	2,719,450
2012	1,405,000	1,309,668	2,714,668
2013—2017	7,905,000	5,604,494	13,509,494
2018—2022	9,720,000	3,649,593	13,369,593
2023—2024	12,145,000	1,340,747	13,485,747
Totals	\$ 36,305,000	\$ 17,679,345	\$ 53,984,345

**NOTE 10 – BONDS AND NOTES PAYABLE - CONTINUED**

The University reported principal retirements and interest expense related to the bonds payable for the year ended June 30, 2007 as follows:

Bond And Note	Principal	Interest
Student and Faculty Housing Revenue Note	\$ 382,360	\$ 89,170
Student and Faculty Housing Revenue Note		657,273
Stadium Improvement Revenue Bonds	170,000	73,885
State Institution Bonds	140,000	130,806
State Institution Bonds		945,200
	<u>\$ 692,360</u>	<u>\$ 1,896,334</u>

In fiscal year 2006, the University entered into the Capital Project Loan Agreement (the "Agreement") with Commerce Capital Access Program Corporation (the "Lender") under the HBCU Capital Financing Program. The purpose of the agreement is to provide funds to refund the 1991 Student and Faculty Housing Revenue Bonds amounting to \$2,480,000 and to provide funds for construction of a 750 bed student housing facility. The funds for this loan will be provided from the proceeds of two tax-exempt bonds issues made by the lender. The total amount of the loan, \$39,499,549 will be provided in two parts. The first part, amounting to \$2,686,076, was provided to refund the revenue bonds and make deposits into required reserve and escrow accounts. This part will be repaid in semi-annual installments of \$235,765 beginning in 2006 and ending in 2012.

The second part, amounting to \$36,813,473 will be advanced as construction of the 750 bed student housing facility progresses. This part will be repaid in semi-annual installments of approximately \$1,116,354 beginning in 2008 and ending in 2035. Repayments of principal and interest of the two parts is based on the amortization of the two underlying tax-exempt bonds issued by the lender. Accordingly the schedules of future maturities disclosed below estimate the payments of principal and interest necessary to provide for the retirement of the underlying tax-exempt bonds as they come due. The loan under the Agreement is secured by the revenues from the housing facility.

The Agreement requires the establishment of the South Carolina State University Escrow Account (the "Escrow Account"), into which, a deposit, amounting to five percent of each advance under the Agreement, inclusive of deposit, will be made from each advance under the Agreement. The University has assigned all of its rights and interests to the Escrow account to the Trustee for the Lender. The use of the Escrow funds are governed, in part, by a trust indenture which provides for claims against the Escrow Account for a share of defaulted loans of other borrowers participating in the HBCU Capital Financing Program (see Note 8). The Agreement also requires the establishment of the South Carolina State University Debt Service Account. Monthly deposits into this account are required to be sufficient to accumulate the total principal and interest payment due under the Agreement 60 days prior to the semi-annual due date of each payment. The loan also requires a Replacement Reserve to be established at the time the housing facility is placed in service. Gross revenues from the housing facility are to be held in a separate account by the Treasurer of the State of South Carolina and used only to pay expenses of the housing facility and make the required deposits into the Debt Service Account and Replacement Reserve account, as well as replenish any deficiency in the Escrow Account. The balances of these accounts are included in restricted assets at June 30, 2007.

There was a total issuance cost incurred in the amount of \$686,419. The University will amortize \$43,878 of issuance costs over seven years, the life of the Note Part 1. The remaining issuance cost will be amortized over 30 years, the life of the Note Part 2.

The Agreement contains various performance covenants and limits the incurrence of new debt by the University. Certain of the covenants require the submission of financial and enrollment information within specified time periods. The University failed to meet these covenants during the year ended June 30, 2007. However, the lender has granted a waiver for the violations.

Scheduled amounts including interest required to complete payment of housing note as of June 30, 2007.

Part 1

	Principal	Interest	Totals
2008	\$ 395,899	\$ 75,631	\$ 471,530
2009	411,434	60,096	471,530
2010	426,668	44,862	471,530
2011	442,373	29,157	471,530
2012	458,776	12,755	471,531
Totals	<u>\$ 2,135,150</u>	<u>\$ 222,501</u>	<u>\$ 2,357,651</u>

**NOTE 10 – BONDS AND NOTES PAYABLE - CONTINUED**

Part 2

	Principal	Interest	Totals
2008	\$ -	\$ 1,940,187	\$ 1,940,187
2009	-	1,919,098	1,919,098
2010	-	1,919,098	1,919,098
2011	-	1,924,370	1,924,370
2012	-	1,929,642	1,929,642
2013 - 2017	3,452,595	10,444,313	13,896,908
2018 - 2022	6,204,579	7,692,328	13,896,907
2023 - 2027	8,018,975	5,877,933	13,896,908
2028 - 2032	10,364,724	3,540,183	13,904,907
2033 - 2035	8,772,601	710,697	9,483,298
Totals	<u>\$ 36,813,474</u>	<u>\$ 37,897,849</u>	<u>\$ 74,711,323</u>
Unadvanced Principle	<u>\$ (1,145,078)</u>		
Advanced Principle As of June 30, 2007	<u>\$ 35,668,396</u>		

The University issued two notes payable in 2007 in order to acquire certain equipment. The first note requires annual payments of \$85,237 beginning in March 2008 with the last payment due in March 2017. The payments include interest at 3.8875%, as stated in the loan agreement. The funds from the note have been deposited into an acquisition fund pending delivery and installation of the equipment. The cost and fair value of the equipment is expected to be \$695,236. The second loan agreement requires annual payments of \$54,816 beginning in May 2008 with the last payment due in May 2017. The payments included interest at 3.8875%, as stated in the loan agreement. The funds from the notes have been deposited into an acquisition fund pending delivery and installation of the equipment. The cost and fair value of the equipment is expected to be \$448,268. The acquisition funds are included in restricted cash.



Scheduled amounts including interest required to complete payment of equipment acquisition leases as of June 30, 2007.

Note 1		Principal	Interest	Totals
	2008	\$ 58,210	\$ 27,027	\$ 85,237
	2009	60,473	24,764	85,237
	2010	62,823	22,414	85,237
	2011	65,266	19,971	85,237
	2012	67,803	17,434	85,237
	2013-2017	380,661	45,523	426,184
	Totals	\$ 695,236	\$ 157,133	\$ 852,369

Note 2		Principal	Interest	Totals
	2008	\$ 37,622	\$ 17,193	\$ 54,815
	2009	39,065	15,750	54,815
	2010	40,564	14,252	54,816
	2011	42,120	12,696	54,816
	2012	43,735	11,081	54,816
	2013-2017	245,162	28,917	274,079
	Totals	\$ 448,268	\$ 99,889	\$ 548,157

## NOTE 11- LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2007 was as follows:

	June 30, 2006	Additions	Reductions	June 30, 2007	Due within One year
Accrued compensated absences and related benefits	\$ 2,993,160	\$ 2,111,935	\$ 1,386,076	3,719,019	\$ 1,430,387
Revenue bonds payable	1,405,000	-	170,000	1,235,000	180,000
State institutional bond payable	3,620,000	32,825,000	140,000	36,305,000	1,210,000
Note payable	21,623,392	17,706,018	382,360	38,947,050	491,731
Totals	\$ 29,641,552	\$ 52,642,953	\$ 2,078,436	\$ 80,206,069	\$ 3,312,118

Additional information regarding bonds payable is included in Note 10.

## NOTE 12 - RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program. They include the S.T.A.T.E. Club, the South Carolina State Alumni Association and the University's Real Estate Foundation. Financial statements are not available for these entities. The activities of these entities are not included in the University's financial statements.

## NOTE 13 - COMPONENT UNIT

The University's financial statements include \$79,904 due from the Foundation for reimbursement of various personnel and other costs. The amount of \$26,463 is included in the current assets and \$53,411 is non-current assets.

Various financial activities occurred between the University and the Foundation. A summary of transactions for the year ended June 30, 2007 follows:

Scholarships were awarded by the University and funded by the Foundation.	\$ 105,537
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Reimbursements for University employee time and other costs were paid by the University on behalf of the Foundation and reimbursed by the Foundation. The University recorded these reimbursements as a reduction of the applicable operating expenses.	\$158,575
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The Foundation purchased various food services and items from the University which were recorded as sales and services of auxiliary enterprises.	\$54,099
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The Foundation and the S.T.A.T.E. Club purchased football tickets from the University that is recorded as ticket sales.	\$58,160
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#### **NOTE 14 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees: Unemployment compensation benefits; Worker's compensation benefits for job-related illnesses or injuries; Health and dental insurance benefit; Long-term disability and group-life insurance benefits

Employees can elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the state's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities: Theft, damage to, or destruction of assets; Real property, its contents, and other equipment; Motor vehicles and watercraft; Torts; Business interruptions; Natural disaster; and Medical malpractice claims against covered employees

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas.  
The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation and for health insurance for its student-athletes.

## NOTE 15 - STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the year ended June 30, 2007

### Current years appropriations:

Original appropriations per Annual Appropriations Act	\$ 21,040,022
From State Department of Education for Felton Lab School	165,659
PSA supplemental	300,000
PSA Pay Plan Allocation-Health Insurance	23,011
PSA FY05-06 Appropriations per Appropriations Act	2,856,767
Supplemental Appropriations:	
State Health & Employer	729,746
Business School Acc& Transportation Ctr	821,270
Obesity program	300,000
Transportation Center-Federal Match (Proviso 73.14 (5))	748,365
Program and Deferred Maintenance (Proviso 73.18 (7))	263,347
MRR Parity	
Total non-capital appropriations recorded as curre	<u>\$ 27,248,187</u>

The University received substantial funding from the Commission on Higher Education (CHE) for scholarships that are accounted for as operating state grants and contracts. Additional amounts received from CHE are accounted for as both operating and non-operating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The University also receives state funds for various other public service projects. Following is a summary of amounts received from state agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2007

Received from CHE:	
Hope Scholarships	\$ 321,975
Life Scholarships	2,245,028
Palmetto Scholarships	6,700
Teaching Fellows	48,450
Need Based Grants	710,204
Access and Equity	112,387
Excellence Enhancement	587,500
Minority Recruitment	467,000
African American Teacher Loans	149,485
Lottery	3,099,478
Education for Economic Development Act	30,000
Received from Other State Agencies:	
Department of Education	351,020
Total	<u>\$ 8,129,227</u>

## NOTE 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2007 are summarized as follows:

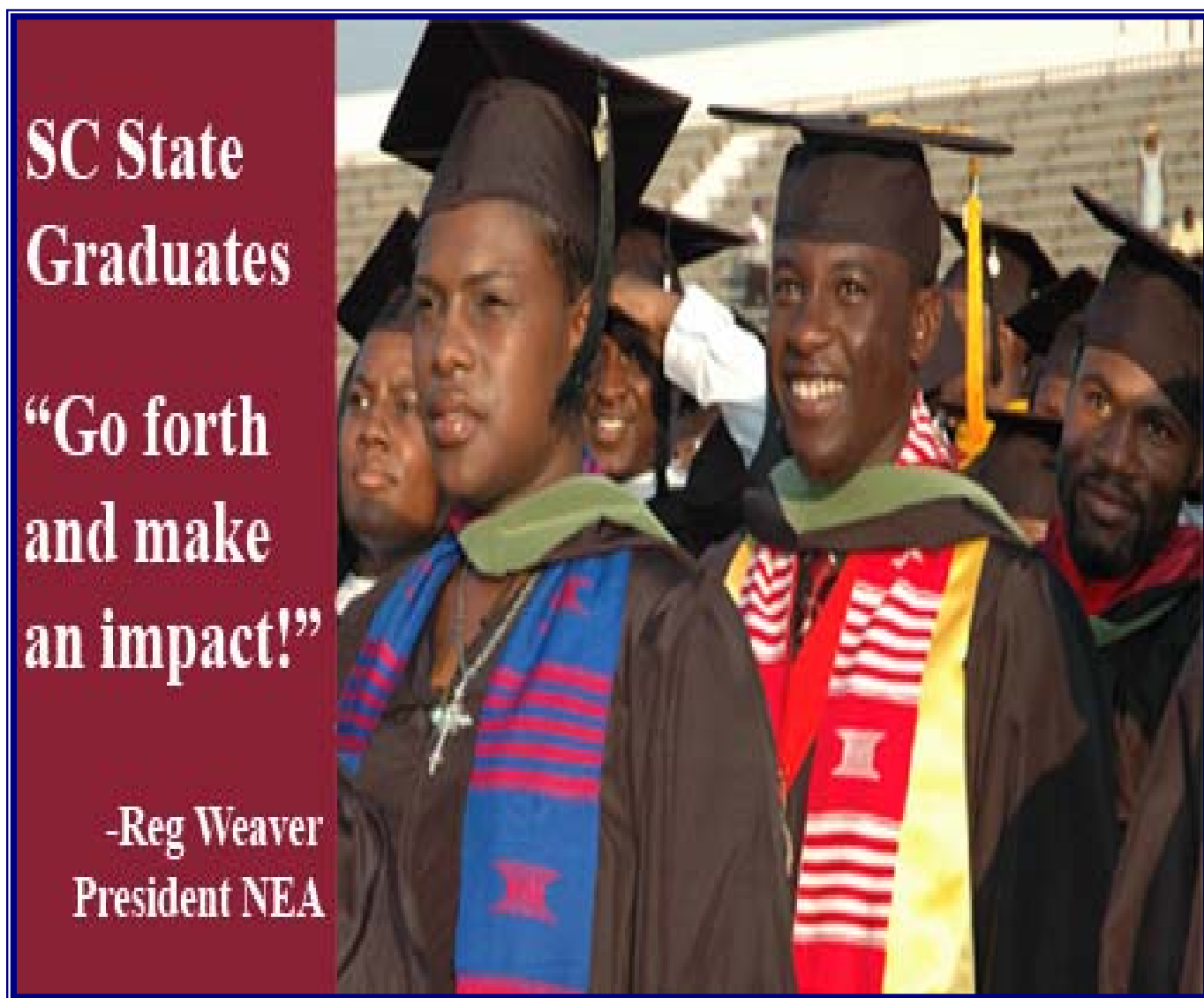
	Compensation and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 23,509,818	\$ 3,045,764	\$ -	\$ -	\$ -	\$ 26,555,582
Research	4,060,990	4,933,852	-	-	-	8,994,842
Public Service	3,367,782	4,136,430	-	-	-	7,504,212
Academic Support	3,529,515	1,478,140	-	-	-	5,007,655
Student Services	7,467,600	3,617,982	-	-	-	11,085,582
Operation and Maintenance of Plant	2,635,349	6,317,401	2,205,388	-	-	11,158,138
Institutional Support	8,127,808	5,600,220	-	-	-	13,728,028
Scholarships and Fellowships (net of discounts and allowances)	-	-	-	10,928,770	-	10,928,770
Auxiliary Enterprises	2,104,971	10,351,234	1,687,770	-	-	14,143,975
Depreciation and Amortization	-	-	-	-	2,515,799	2,515,799
<b>Total Operating Expenses</b>	<b>\$ 54,803,833</b>	<b>\$ 39,481,023</b>	<b>\$ 3,893,158</b>	<b>\$ 10,928,770</b>	<b>\$ 2,515,799</b>	<b>\$ 111,622,583</b>

## NOTE 17 - STATEMENT OF ACTIVITIES

The following information is provided for incorporation in the State of South Carolina comprehensive annual financial

	FY 2007	FY 2006	Increase / Decrease
Charges for services	\$ 62,086,251	\$ 67,323,803	\$ (5,237,552)
Operating grants, contributions and investment income	19,587,524	7,839,258	11,748,266
Capital operating grants and contributions	1,369,231	602,029	767,202
Less expenses	(113,556,250)	(100,750,759)	(12,805,491)
Net program revenue (expenses)	\$ (30,513,244)	\$ (24,985,669)	\$ (5,527,575)
Transfers:			
State appropriations	\$ 27,248,187	\$ 27,216,448	\$ 31,739
Capital improvement bond proceeds	2,500,000	-	2,500,000
Transfers to/from other state agencies	(225,932)	(201,206)	(24,726)
Total transfers:	\$ 29,522,255	\$ 27,015,242	\$ 2,507,013
Change in net assets	(990,989)	2,029,573	(3,020,562)
Net assets-beginning	56,102,029	54,072,456	2,029,573
<b>Net assets-ending</b>	<b>\$ 55,111,040</b>	<b>\$ 56,102,029</b>	<b>\$ (990,989)</b>

# South Carolina State University Comprehensive Annual Financial Report



## Statistical Section

# Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements and note disclosures says about the University's and the State of South Carolina's overall financial health.

<b>CONTENTS</b>	<b>Page</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.	46-49
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue additional debt in the future.	50
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's and the State's financial activities take place.	57-59

**South Carolina State University**  
**Schedule of Revenues By Source**

For the Year Ended June 30,						
(amounts experssed in thousands)						
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues</b>						
<b>Operating Revenues:</b>						
Student Tuition and Fees (net of scholarship allowance)	\$ 28,602	\$ 24,965	\$ 24,380	\$ 19,793	\$ 17,052	\$ 15,347
Federal Grants and Contracts	14,408	26,590	25,535	22,440	21,886	20,541
State Grants and Contracts	8,129	5,329	7,141	3,980	3,236	2,598
Local Grants and Contracts	-	-	-	-	-	1
Non-Government Grants and Contracts	48	362	154	95	45	27
Sales and Services of Educational and Other Activities	1,779	398	485	456	323	352
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	9,120	9,680	10,758	8,261	5,911	6,994
Other Operating Revenue	5,520	3,664	3,021	1,864	1,661	1,059
<b>Total Operating Revenue</b>	<b>67,606</b>	<b>70,988</b>	<b>71,474</b>	<b>56,889</b>	<b>50,114</b>	<b>46,919</b>
<b>Non-Operating Revenues:</b>						
State Appropriations	27,248	27,216	23,170	22,576	24,642	27,562
Gifts, Grants and Contracts	14,173	4,318	5,365	453	375	291
Interest Income	1,263	341	262	76	539	260
Other Non-Operating Revenue	2,500	119	233	5,679	5,556	1,141
<b>Total Non-Operating Revenue</b>	<b>45,184</b>	<b>31,994</b>	<b>29,030</b>	<b>28,784</b>	<b>31,112</b>	<b>29,254</b>
<b>Total Revenues</b>	<b>\$ 112,790</b>	<b>\$ 102,982</b>	<b>\$ 100,504</b>	<b>\$ 85,673</b>	<b>\$ 81,226</b>	<b>\$ 76,173</b>

**Schedule of Revenue by Source %**

For the Year Ended June 30,						
(percent of total revenue)						
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues</b>						
<b>Operating Revenues:</b>						
Student Tuition and Fees (net of scholarship allowance)	25.36%	24.26%	24.26%	23.10%	20.99%	20.15%
Federal Grants and Contracts	12.77%	25.41%	25.41%	26.19%	26.94%	26.97%
State Grants and Contracts	7.21%	7.11%	7.11%	4.65%	3.98%	3.41%
Local Grants and Contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-Government Grants and Contracts	0.04%	0.15%	0.15%	0.11%	0.06%	0.04%
Sales and Services of Educational and Other Activities	1.58%	0.48%	0.48%	0.53%	0.40%	0.46%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	8.09%	10.70%	10.70%	9.64%	7.28%	9.18%
Other Operating Revenue	4.89%	3.01%	3.01%	2.18%	2.04%	1.39%
<b>Total Operating Revenue</b>	<b>59.94%</b>	<b>71.12%</b>	<b>71.12%</b>	<b>66.40%</b>	<b>61.70%</b>	<b>61.60%</b>
<b>Non-Operating Revenues:</b>						
State Appropriations	24.16%	23.05%	23.05%	26.35%	30.34%	36.18%
Gifts, Grants and Contracts	12.57%	5.34%	5.34%	0.53%	0.46%	0.38%
Interest Income	1.12%	0.26%	0.26%	0.09%	0.66%	0.34%
Other Non-Operating Revenue	2.22%	0.23%	0.23%	6.63%	6.84%	1.50%
<b>Total Non-Operating Revenue</b>	<b>40.06%</b>	<b>28.88%</b>	<b>28.88%</b>	<b>33.60%</b>	<b>38.30%</b>	<b>38.40%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Note:** Due to reporting format and definition changes prescribed by Governmental Standards Statements No. 34 and 35, only information for fiscal years 2002-2007 is available.

**Source:** SC State University



**South Carolina State University**  
**Schedule of Expenses by Use**

	For the Year Ended June 30,					
	(amounts expressed in thousands)					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenses:</b>						
<b>Operating Expenses:</b>						
Compensation and Employee Benefits	\$ 54,804	\$ 52,514	\$ 48,571	\$ 44,877	\$ 46,243	\$ 48,627
Service and Supplies	39,481	32,965	33,447	22,469	16,332	18,892
Utilities	3,893	3,943	3,026	2,308	2,370	1,844
Depreciation and Amortization	2,516	1,748	1,920	1,795	1,801	1,902
Scholarships and Fellowship	10,929	9,252	8,478	8,967	9,182	7,768
Bad Debts, Loan Cancel and Others		-	-	307	208	1,698
<b>Total Operating Expenses</b>	<b>\$ 111,623</b>	<b>\$ 100,422</b>	<b>\$ 95,442</b>	<b>\$ 80,723</b>	<b>\$ 76,136</b>	<b>\$ 80,731</b>
<b>Non_Operating Expenses:</b>						
Interest and Other	2,160	530	604	436	333	334
<b>Total Non-Operating Expenses</b>	<b>2,158</b>	<b>530</b>	<b>604</b>	<b>436</b>	<b>333</b>	<b>334</b>
<b>Total Expenses</b>	<b>\$ 113,781</b>	<b>\$ 100,952</b>	<b>\$ 96,046</b>	<b>\$ 81,159</b>	<b>\$ 76,469</b>	<b>\$ 81,065</b>

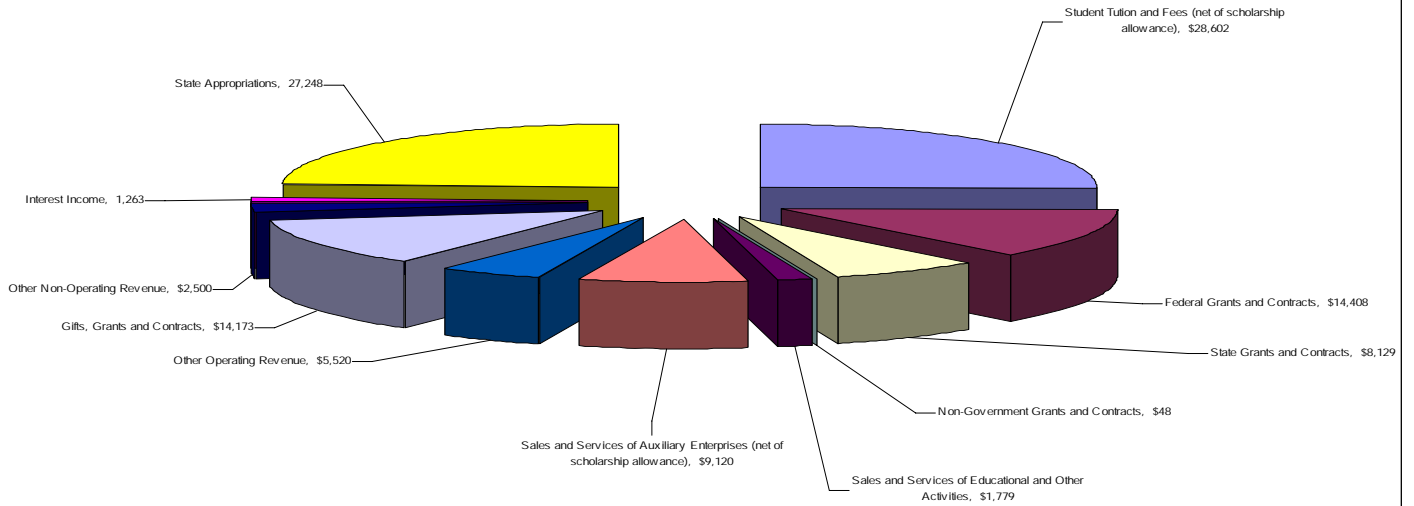
**Schedule of Expenses by Use %**

	For the Year Ended June 30,					
	(percent of total expenses)					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenses:</b>						
<b>Operating Expenses:</b>						
Compensation and Employee Benefits	48.17%	52.02%	50.57%	55.30%	60.47%	59.99%
Service and Supplies	34.70%	32.65%	34.82%	27.69%	21.36%	23.30%
Utilities	3.42%	3.91%	3.15%	2.84%	3.10%	2.27%
Depreciation	2.21%	1.73%	2.00%	2.21%	2.36%	2.35%
Scholarships and Fellowship	9.61%	9.16%	8.83%	11.05%	12.01%	9.58%
Bad Debts, Loan Cancel and Others	0.00%	0.00%	0.00%	0.38%	0.27%	2.09%
<b>Total Operating Expenses</b>	<b>98.10%</b>	<b>99.47%</b>	<b>99.37%</b>	<b>99.46%</b>	<b>99.56%</b>	<b>99.59%</b>
<b>Non_Operating Expenses:</b>						
Interest and Capital Asset Related Debt	1.90%	0.53%	0.63%	0.54%	0.44%	0.41%
<b>Total Non-Operating Expenses</b>	<b>1.90%</b>	<b>0.53%</b>	<b>0.63%</b>	<b>0.54%</b>	<b>0.44%</b>	<b>0.41%</b>
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Note:** Due to reporting format and definition changes prescribed by Governmental Standards Statements No. 34 and 35, only information for fiscal years 2002-2007 is available.

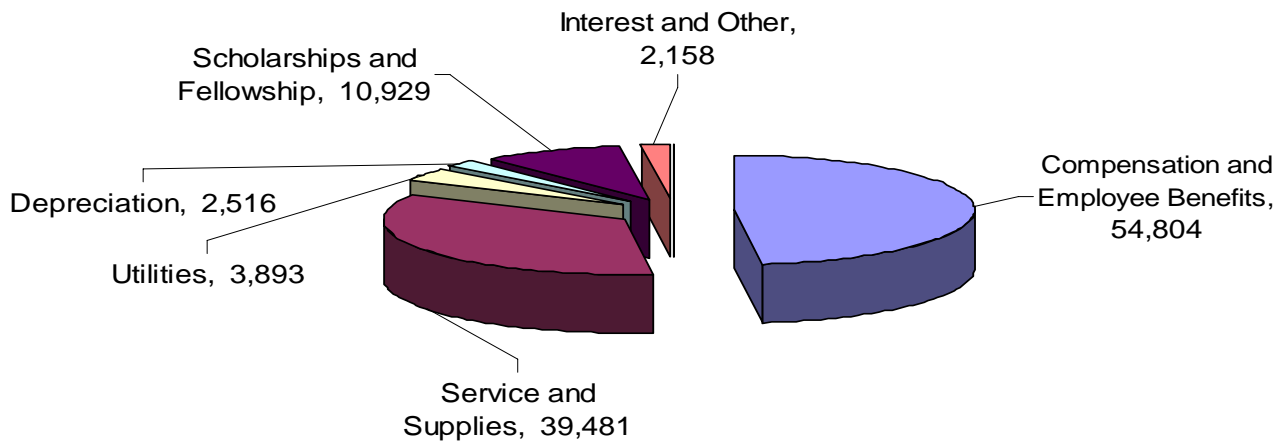
**Source:** SC State University

### Revenue by Source Fiscal Year 2007



Amounts expressed in thousands

### Expenses by Use Fiscal Year 2007



# South Carolina State University

## Schedule Of Net Assets And Changes In Net Assets

**For the Year Ended June 30**  
(amounts expressed in thousands)

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Total revenues (from schedule of revenues by source)	\$112,790	\$ 102,982	\$100,504	\$ 85,904	\$ 79,361	\$ 76,173
Total expenses (from schedule of expenses by use and function)	<u>113,781</u>	<u>100,952</u>	<u>96,046</u>	<u>81,159</u>	<u>76,469</u>	<u>81,065</u>
Total changes in net assets	(991)	2,030	4,458	4,745	2,892	(4,892)
Net assets, beginning	<u>56,102</u>	<u>54,072</u>	<u>49,614</u>	<u>44,869</u>	<u>41,977</u>	<u>46,869</u>
Net assets, ending	<u>\$55,111</u>	<u>\$56,102</u>	<u>\$54,072</u>	<u>\$49,614</u>	<u>\$44,869</u>	<u>\$41,977</u>
Invested in capital assets, net of related debt	\$ 50,580	\$ 47,888	\$ 46,481	\$ 41,384	\$ 40,383	\$ 40,750
Restricted-expendable	2,572	2,128	2,248	2,595	2,896	1,957
Restricted-nonexpendable	901	868	783	440	437	438
Unrestricted	<u>1,058</u>	<u>5,218</u>	<u>4,560</u>	<u>5,195</u>	<u>1,153</u>	<u>(1,168)</u>
<b>Total</b>	<u>\$ 55,111</u>	<u>\$ 56,102</u>	<u>\$ 54,072</u>	<u>\$ 49,614</u>	<u>\$ 44,869</u>	<u>\$ 41,977</u>

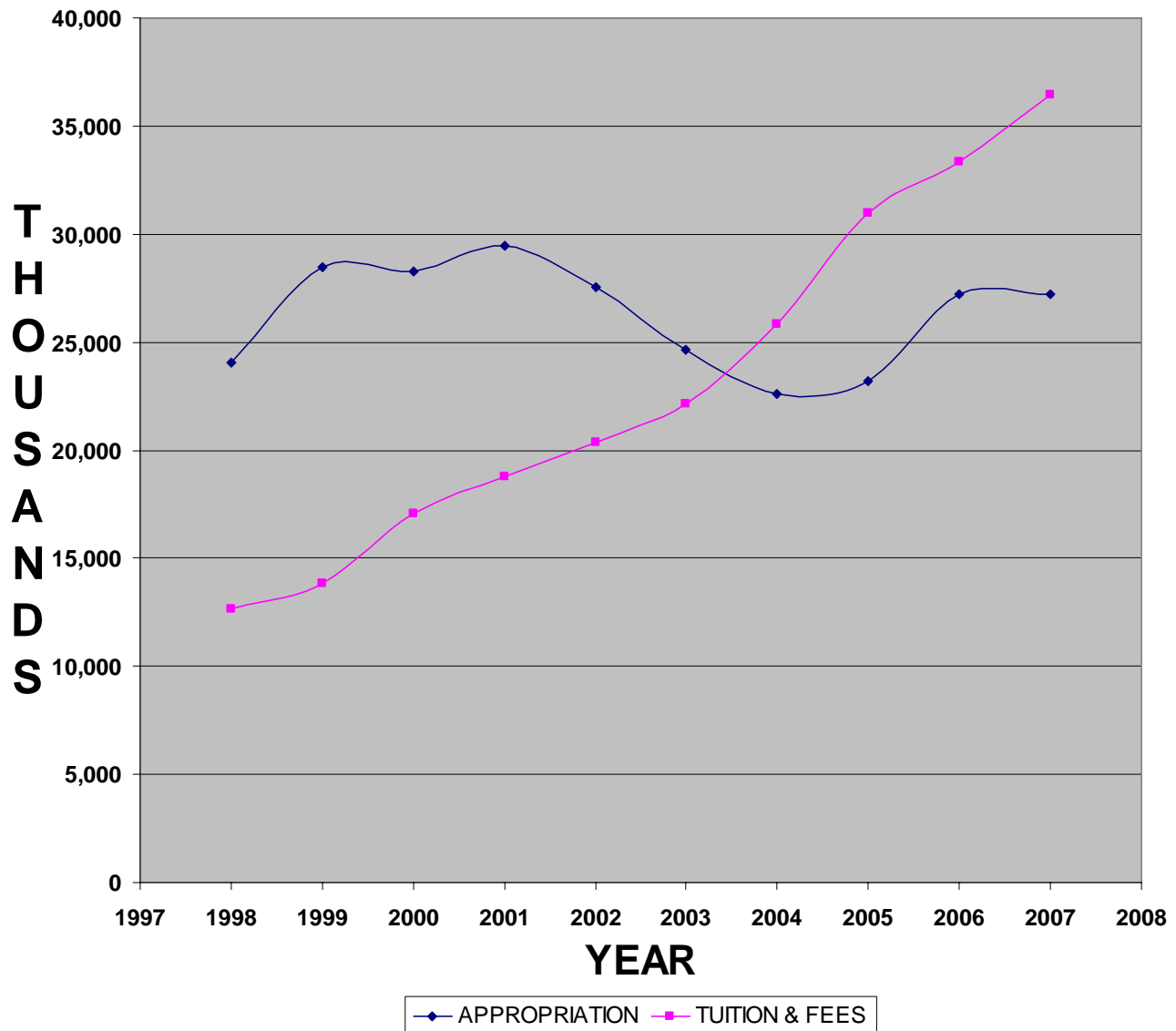
**Note:** Due to reporting format and definition changes prescribed by Governmental Standards Statements No. 34 and 35, only information for fiscal years 2002-2007 is available.

**Source:** SC State University

# South Carolina State University

## State Appropriations and Gross Tuition and Fees

1998-2007



Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 1998 through 2007

# **SOUTH CAROLINA STATE UNIVERSITY**

## **Schedule of Bond Coverage**

(amounts in thousands)

### **Revenue, Stadium, and Housing Bonds**

Last Seven Fiscal Years <sup>1</sup>

<b>Fiscal Year Ended June 30,</b>	<b>Defined Net Revenue Available for Debt Service</b>	<b>Total Revenue Available for Debt Service</b>	<b>Debt Service Principal</b>	<b>Payment Interest</b>	<b>Requirements Total</b>	<b>Coverage Total</b>
2007	\$ 1,785	\$ 1,785	\$ 552	\$ 821	1,373	1.30
2006	569	569	334	173	507	1.12
2005	1,888	1,888	430	267	697	2.71
2004	1,780	1,780	415	284	699	2.55
2003	1,505	1,505	385	306	691	2.18
2002	556	556	370	325	695	0.80
2001	976	976	355	347	702	1.39

### **State Institutional Bonds**

Last Four Fiscal Years <sup>2</sup>

2007	\$ 2,446	\$ 2,446	\$ 140	\$ 1,076	1,216	2.01
2006	1,044	1,044	137	130	267	3.91
2005	879	879	130	144	274	3.21
2004	729	729	120	149	269	2.71

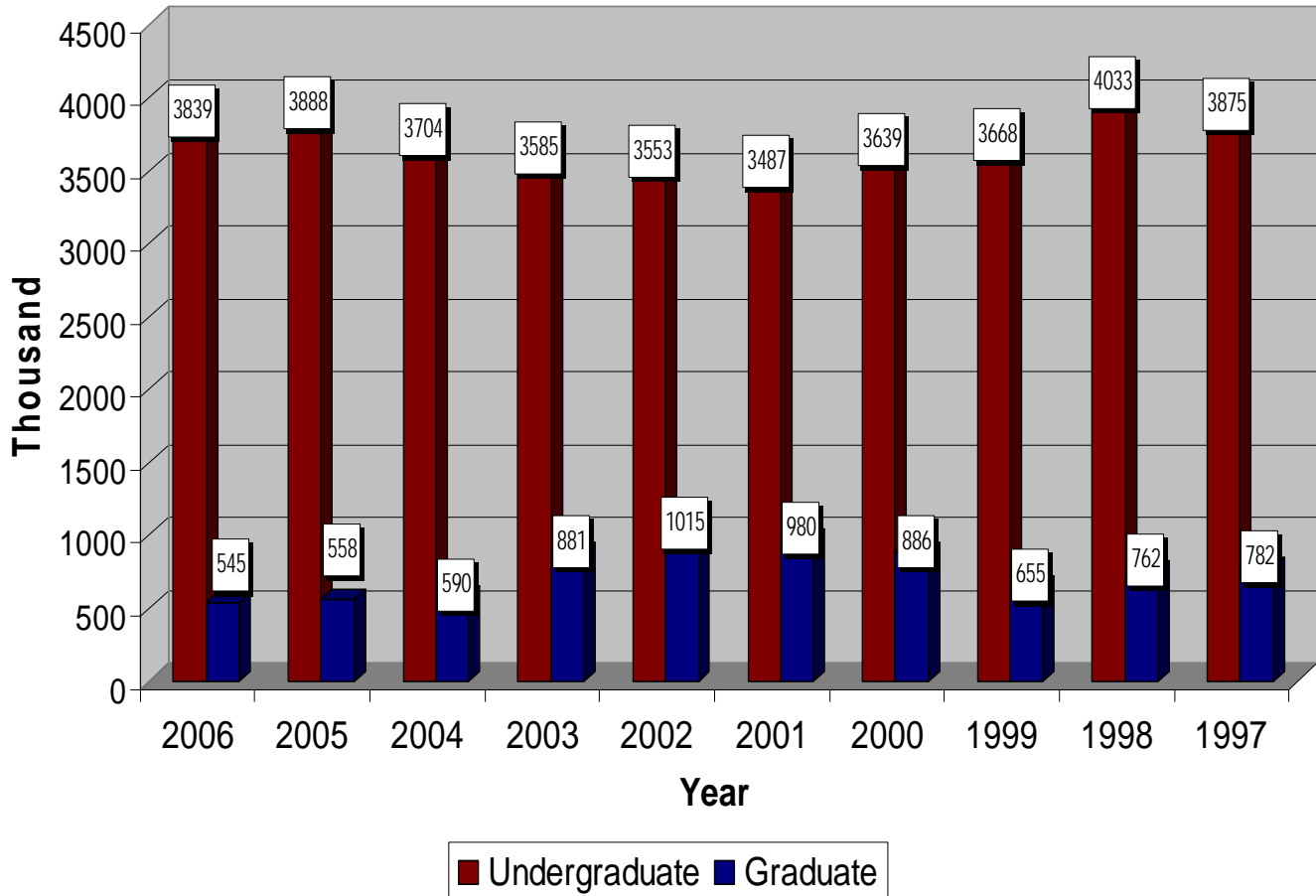
#### **Notes**

<sup>1</sup> Only seven years data are currently available and will continually be added

<sup>2</sup> State Institutional Bonds were issued in FY2003

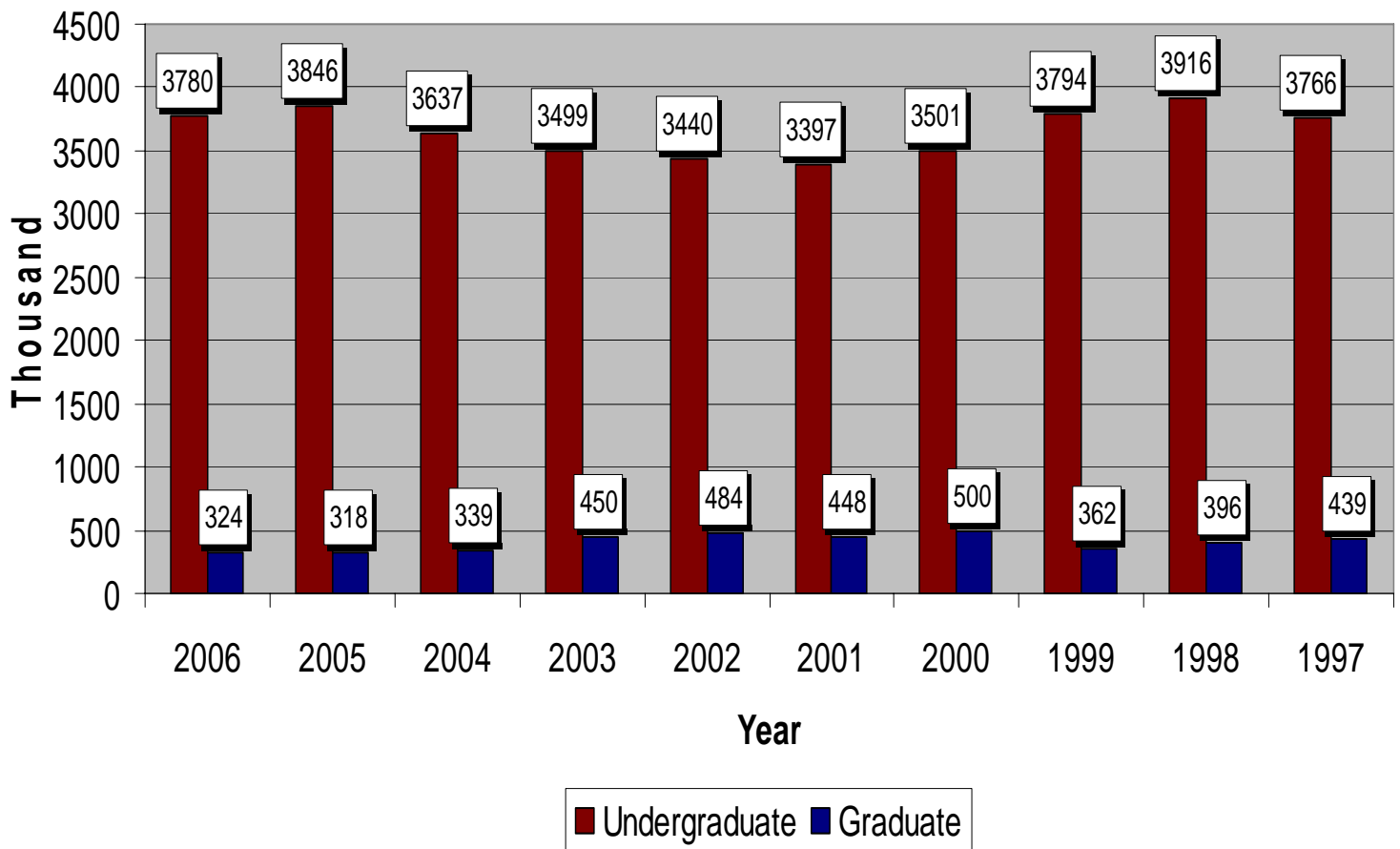
Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 2001 through 2007.

**South Carolina State University  
Student Head Count  
1997- 2006**



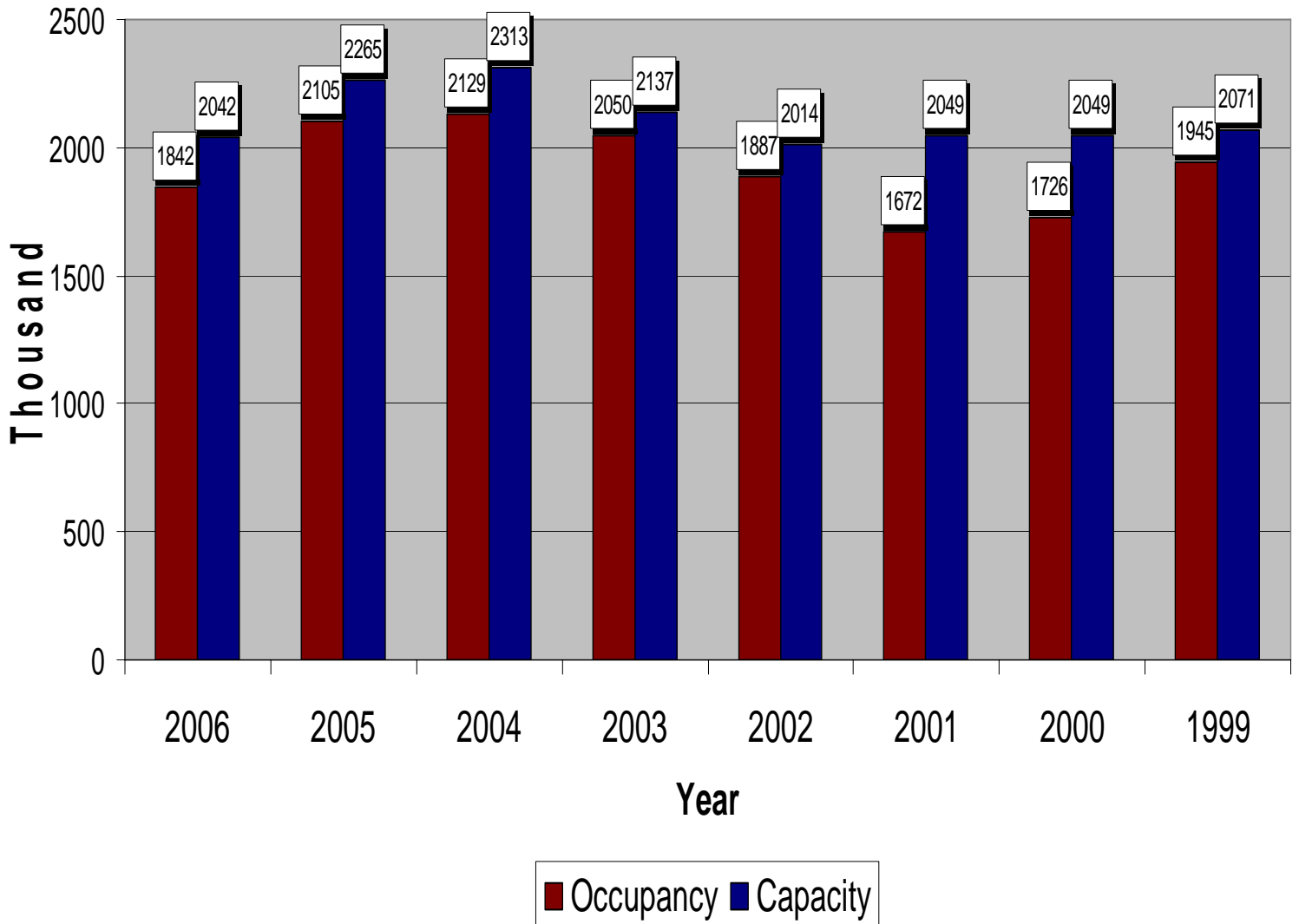
Source: South Carolina State University Office of Institutional Research

# South Carolina State University Student Full Time Equivalent 1997- 2006



Source: South Carolina State University Office of Institutional Research

**South Carolina State University**  
**Fall Residence Hall Occupancy/Capacity**  
**1999-2006**



Source: South Carolina State University Office of Institutional Research



# South Carolina State University

## Full-Time Teaching Faculty, Rank and Tenure for the Last Nine Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998
Professors	31	36	51	42	50	49	56	57	55
Associate Professors	61	47	48	45	57	55	53	55	52
Assistant Professors	86	83	83	73	83	84	73	76	81
Instructor	25	24	24	26	26	25	29	27	29
Lecturer	0	0	3	0	2	0	0	0	0
No Academic Rank	0	14	2	0	0	0	0	0	0
	203	204	211	186	218	213	211	215	217

Prepared by IR August 2007

Data Sources: SCSU Office of Institutional Research Fact Book 2006-2007 and CHEMIS of Full-time Instructional Faculty by Rank

South Carolina State University

# Academic Subject Areas and Degrees Offered

## Fall 2007

### UNDERGRADUATE

Accounting, BS	Mathematics, BS
Agribusiness, BS	Mechanical Engineering Technology, BS
Art Education, K-12, BS	Music Education, BS
Biology, BS	Music Industry, BA
Business Education, BS	Music Performance, BA
Chemistry, BS	Nuclear Engineering, BS
Civil Engineering Technology, BS	Nursing, BSN
Computer Science, BS	Nutrition and Food Management, BS
Criminal Justice, BS	Physical Education Teaching, BS
Dramatic Arts, BA	Physics, BS
Early Childhood Education, BS	Political Science & Government, BA
Economics/Business Economics, BS	Psychology, General, BS
Electrical Engineering Technology, BS	Social Work, BSW
Elementary Education, BS	Sociology, BA
English, Professional, BA	Social Sciences, BA
Family and Consumer Sciences Education, BS	Spanish, BA/BS
Family and Consumer Sciences Business, BS	Special Education, BS
Health Education, K-12, BS	Speech Pathology and Audiology, BA
History, BA	Studio Arts, BA
Industrial Education, BS	
Industrial Engineering Technology, BS	
Management, BS	
Marketing, BS	

### GRADUATE

Agribusiness, MS, MBA	Rehabilitation Counseling, MA
Counselor Education, MEd	Secondary Education, MEd, MAT
Early Childhood Education, MAT	Special Education, MEd
Elementary Education, MAT, MEd	Speech Pathology and Audiology, MA
Individual and Family Development, MS	Transportation, MS
Nutritional Sciences, MS	Education Administration, EDD

BA-Bachelor of Arts  
BS-Bachelor of Science  
BSW-Bachelor of Social Work  
EDD-Doctor of Education  
PB-Post Bachelors

MAT-Master of Arts in Teaching  
MBS-Master of Business Administration  
MEd-Master of Education  
MS-Master of Science  
PMCERT-Post Masters Certificate

## DEMOGRAPHIC STATISTICS

State of South Carolina  
Last Ten Calendar Years

Year	Population as of June 30 (a)	Total Personal Income (b)	Per Capita Income (b)	Average Annual Unemployment Rate ('c)
2006	4,321,249	127,543	29,515	6.5%
2005	4,246,933	120,123	28,285	6.7%
2004	4,194,694	113,632	27,090	6.8%
2003	4,142,356	107,203	25,880	6.7%
2002	4,102,122	104,046	25,370	5.9%
2001	4,060,728	101,468	24,988	5.2%
2000	4,023,565	98,270	24,424	3.6%
1999	3,974,682	91,716	23,075	4.1%
1998	3,919,235	86,854	22,161	3.6%
1997	3,859,696	81,004	20,987	4.4%

(a) Source      U.S. Census Bureau

(b) Source      U.S. Board of Economic Advisors

('c) Source      U.S. Department of Labor

State of South Carolina

## Ten Largest Employers

**Latest Completed Calendar Year and Five Years Prior  
(Listed alphabetically)**

2001	2006
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Michelin Tire Corporation	Michelin Tire Corporation
Springs Industries, Inc.	Palmetto Health Alliance, Inc.
University of South Carolina	University of South Carolina
U.S. Department of Defense	U.S. Department of Defense
U.S. Postal Service	U.S. Postal Service
Wal-Mart Associates, Inc.	Wal-Mart Associates, Inc.
Westinghouse Savannah River	Washington Savannah River Company

<sup>a</sup> The ten largest employers prior to calendar year 2001 are unavailable.

State of South Carolina  
**Employment by Industry**

**Latest Completed Calendar Year and Nine Years Prior**

<b>Sources</b>	<b>1997</b>		<b>2006</b>	
	<b>Number of Employees</b>	<b>Percent of Total</b>	<b>Number of Employees</b>	<b>Percent of Total</b>
Contract construction.....	99,800	5.8%	124,400	6.5%
Manufacturing:				
Durable goods.....	146,800	8.5%	135,000	7.1%
Nondurable goods.....	215,900	12.5%	116,700	6.1%
Transportation, communication, and public utilities.....	75,300	4.4%	91,400	4.8%
Wholesale and retail trade:				
Wholesale.....	71,400	4.2%	69,500	3.7%
Retail.....	340,900	19.8%	234,500	12.3%
Finance, insurance and real estate.....	74,900	4.4%	102,200	5.4%
Services and mining.....	396,500	23.0%	698,400	36.7%
Government:				
Federal.....	29,100	1.7%	29,400	1.5%
State and local.....	269,800	15.7%	301,100	15.8%
<b>Total wage and salary employment.....</b>	<b>1,720,400</b>	<b>100.0%</b>	<b>1,902,600</b>	<b>100.0%</b>

Source: South Carolina Employment Security Commission

