

Independent Auditors' Report

The Office of the State Auditor
and
Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

We have audited the accompanying basic financial statements of **The Citadel, The Military College of South Carolina**, (The Citadel) as of June 30, 2000 and for the year then ended as listed in the table of contents. These basic financial statements are the responsibility of The Citadel's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of The Citadel Trust, Inc., a component unit of The Citadel, which financial statements reflect the indicated percentages of total assets and total revenues, respectively, of the unrestricted current (29% and 2%), restricted current (90% and 11%), loan (66% and 68%), endowment and similar (100% and 100%), and unexpended plant (5% and 2%) funds. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinion.

As discussed in Note 1 to the basic financial statements, the accompanying basic financial statements of The Citadel are intended to present the financial position, changes in fund balances, and current funds revenues, expenditures, and other changes of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of The Citadel, an institution of the State of South Carolina. These basic financial statements include the financial activities of The Citadel Trust, Inc., a component unit of The Citadel. These basic financial statements do not include other

agencies, institutions, departments, or component units of the State of South Carolina primary government.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of The Citadel as of June 30, 2000, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 20, effective July 1, 1999, The Citadel changed its method of reporting nongovernmental grants and contracts and gifts to comply with The National Association of College and University Business Officers (NACUBO) Advisory Report 99-1 *Accounting and Reporting for Nongovernmental Grants and Contracts and Gifts*. Effective July 1, 1999, The Citadel also changed its method of reporting safety and security expenses to comply with NACUBO Advisory Report 99-6 *Accounting and Reporting Safety and Security Expenses by Higher Education*. Neither of these two changes had any effect on fund balances. Also effective July 1, 1999 The Citadel changed its accounting and reporting for costs of computer software developed or obtained for internal use to comply with NACUBO Advisory Report 99-7, *Accounting and Reporting for Capitalization of Software* which requires the reporting entity to implement the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-1, *Accounting For Costs of Computer Software Developed or Obtained for Internal Use*. Neither this statement, nor the advisory, requires the restatement of prior periods.

These basic financial statements exclude the related entities listed in Note 18 from the reporting entity because The Citadel is not financially accountable for these entities. As part of its affiliated organizations project, the Governmental Accounting Standards Board is currently studying other circumstances under which organizations that do not meet the financial accountability criteria would be included in the financial reporting entity.

Florence, South Carolina
August 28, 2000