

South Carolina State University

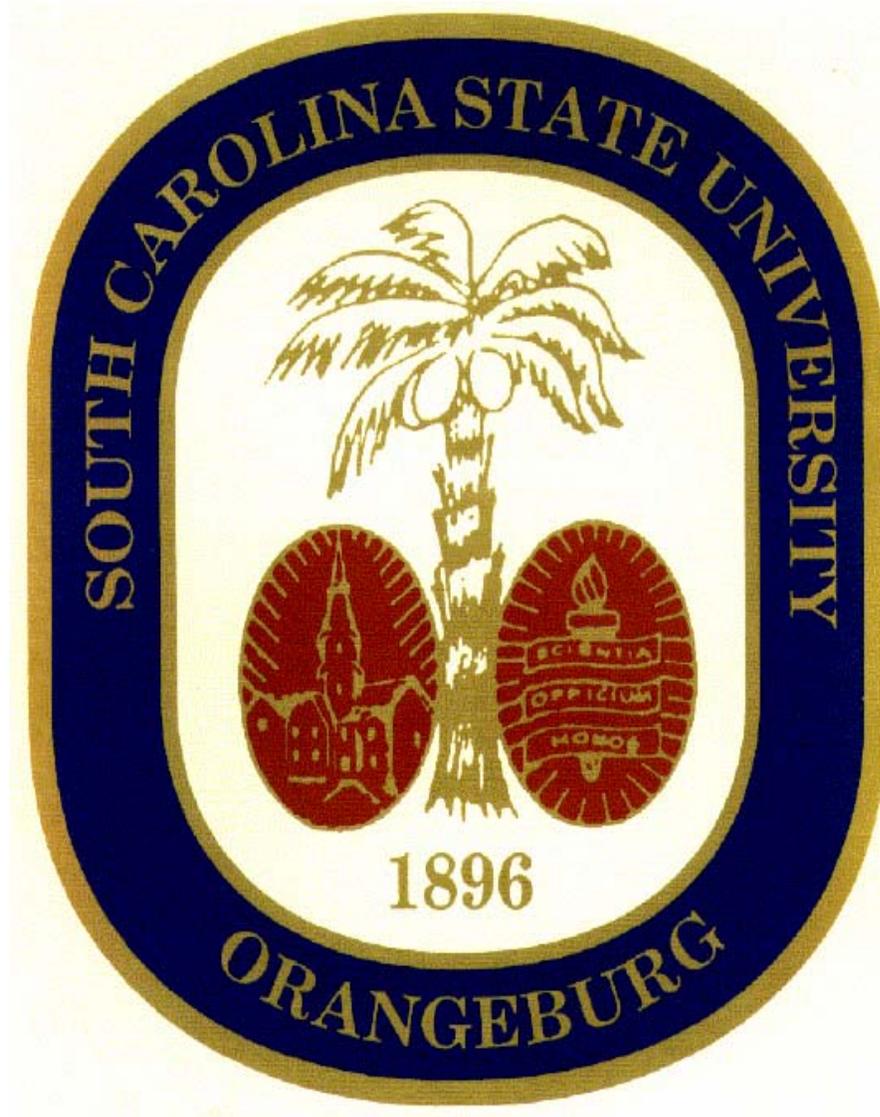
Orangeburg, South Carolina

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

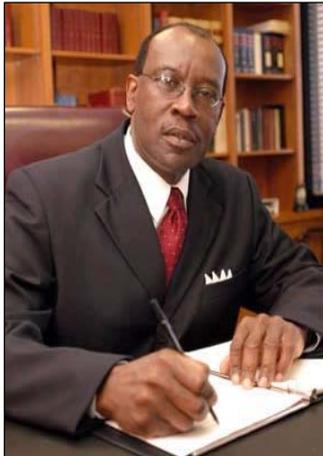
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President's Letter 2007

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.

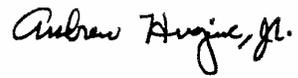
While the preceding accomplishments were exceptional, hosting the first nationally televised debate of the 2008 election cycle was truly historic. The coverage which MSNBC provided for the University was immeasurable. From the *NBC Nightly News* with Brian Williams to *Hardball* with Chris Matthews, 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 style.

Andrew Hugine, Jr., Ph.D.
President



Senior Vice President
of
Finance, Facilities and Management
Information Systems

South Carolina State University

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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.

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

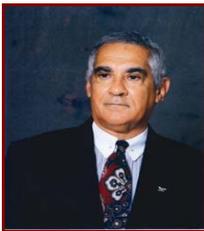
2006-2007



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
Governatorial Appointee



Attorney Charles H. Williams
At-Large



Lumus Byrd, Jr.
Third District

