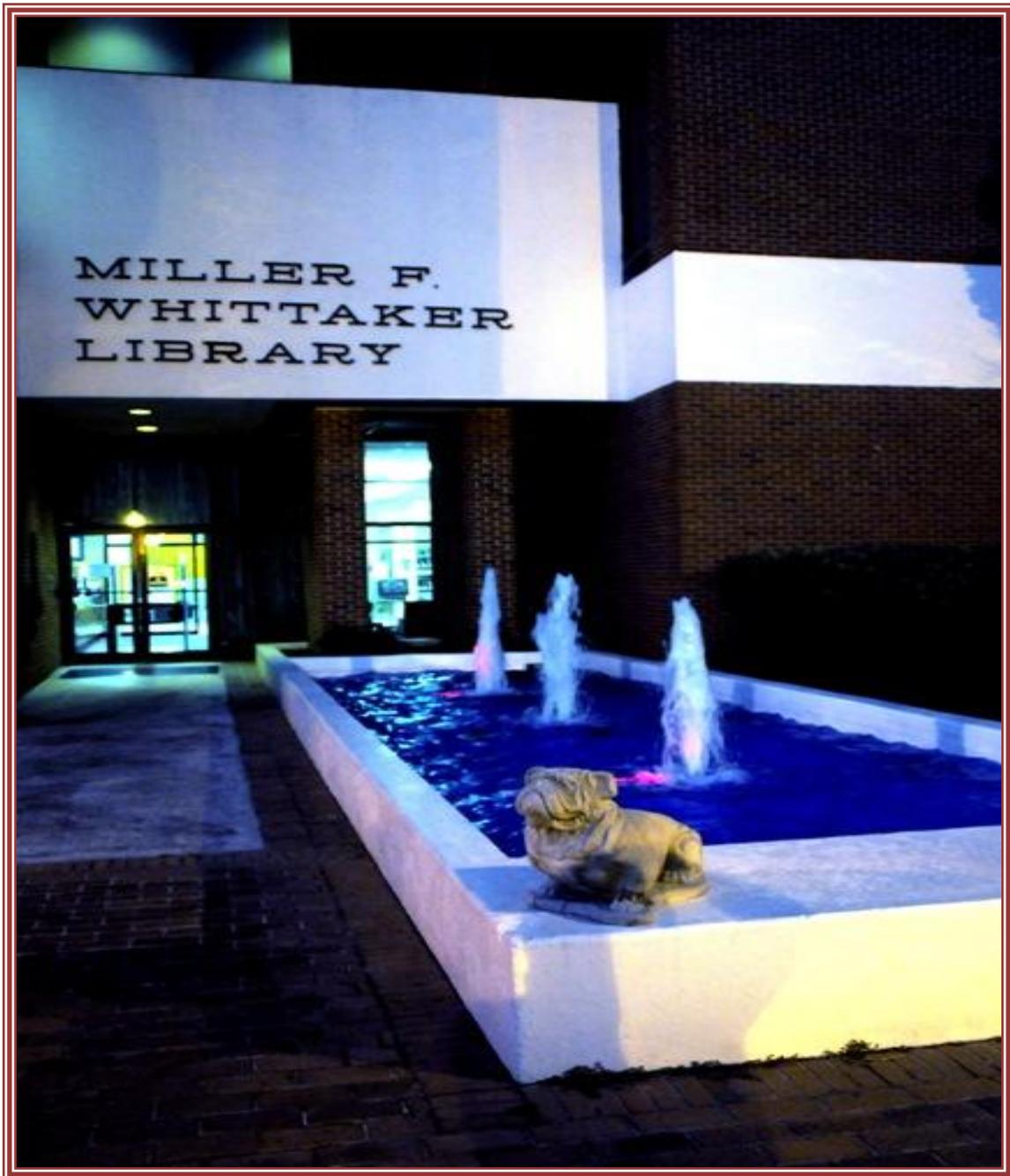


South Carolina State University



a new state of mind
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, 2010

**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, 2010

**Prepared By
The Office of the Controller**

South Carolina State University
Comprehensive Annual Financial Report
For The Year Ended June 30, 2010

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South Carolina State University
Comprehensive Annual Financial Report



Introductory Section



South Carolina State University

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

FAX: (803) 533-3622

October 11, 2010

Dear Alumni, Advocates, and Friends of South Carolina State University:



Over the past year, we have seen tremendous achievements at South Carolina State University. Despite the continuing deterioration of state funding, we have successfully continued our mission of educating students. SC State University remains constant in its productivity of highly competent graduates with successful careers in a global society. Our quest is to maintain academic excellence despite challenges and move forward as a premier institution on higher learning. AT SC State University, "students are first."

This year, we began offering a new foreign language course in Mandarin Chinese. We are also proud of our nursing students for achieving a 100% pass rate on the NCLEX exam this year. Our Business Program was reaccredited by AACSB and all engineering programs were reaccredited by ABET this year. Felton Laboratory School was reaffirmed for accreditation by SACS-COC and an Honors College was established with the first courses in the college being offered this fall.

The University has completed several facilities projects over the last year. The Lowman Hall renovations have been completed and the building has been occupied by Administrative offices since January 2010. The Hodge Hall Annex is completed and occupancy is underway for Fall 2010. We also continue to be proud of our student athletes. I am happy to report that once again that our Football and Men's and Women's Tennis Teams are ranked #1 in the MEAC conference. Men's and Women's Basketball Teams played for MEAC conference championships (2009-2010) and both finished in second place in MEAC.

The university is off to a great start with over \$500,000 in donations from alumni, corporate sponsors and friends. We received a gift of \$54,000 to support student scholarships. We kicked off the mobile giving campaign this weekend at our first home football game. We have enlisted Wilson Bennett to manage our phone-a-thon campaign this fall. The Estate of Dr. Harold Powell has provided documentation to the University that a major gift will be forwarded in the coming weeks. We received a gift of \$200k from Sodexo Food Services.

As we build upon our legacy of excellence by producing leaders we contribute to the improved quality of life for citizens in South Carolina and across the nation. We pledge to continue building upon our legacy through the great work of our University, faculty, staff, administrators and the stakeholders who continue to invest to support our land-grant mission.

Sincerely,

George E. Cooper
President

South Carolina State University

300 COLLEGE STREET, NORTHEAST
ORANGEBURG, SOUTH CAROLINA 29117-0001
(803) 536-8998

October 11, 2010

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, 2010.

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 is maintaining a stable enrollment. However, the University is experiencing a modest reduction as students and families deal with the economic challenges experienced by the state and nation. Although the University remains sensitive to the financial constraints facing many of our students, this year SC State increased its tuition and fees by 8.4% to help offset rising costs.

The state continued to experience major declines in revenue collections during the fiscal year ended June 30, 2010. With budget reductions being imposed for all state colleges and universities, SC State's appropriation reduction amounted to \$1,596,354 million, which is 9.04 % of University's total base appropriations. Consequently, substantial measures were taken by the University to reduce expenses during the year. Those measures included a seven day furlough, a reduction in force, a hiring freeze with exceptions made for critical positions, reductions in travel, and a reduction in other operating costs.

Based on revenue projections for the state, it appears that there will not be additional reductions in fiscal year 2011. However, the University will continue to keep in place the budget reduction measures imposed in fiscal year 2010, as well as monitor all spending very closely. When 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 continues to earmark South Carolina Education Lottery funds for institutional technology projects and directly to students for tuition assistance, while funding for general operations has steadily decreased.

In regards to tuition revenue, SC State's resident tuition and fees is in the lower range compared to other in-state peer institutions. Although the administration and Board of Trustees continue to express concerns over the burden tuition and fee increases are having on families, an increase of 8.4 % was approved for fiscal year 2010. With a major reduction to the University's state appropriation, the increase to tuition and fees was necessary to ensure the University was able to carry out its mission and provide a quality education. The governing body will continue to monitor the issue of raising tuition and fees while striving to remain competitive with other colleges and universities in the state on an on-going basis.

SC State is situated in a rural county. 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 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 from recent years, as well as planned projects for the future.
3. SC State University student expenditures in the local economy, excluding payments made directly to the university.
4. Visitor spending at SC State University Homecoming football games.

A sample of the economic impact of these activities 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. In particular, the construction component is expected to have a substantially high economic impact in the coming years as the University engages in several large-scale capital projects. These projects, which will include 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 2005 (most recent study) 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 SC State University.
- 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 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's 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 buildings (including contents) and property, 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 then forwarded to cabinet members. A budget committee is formed that includes the President and presentations are made by each cabinet member. A budget is then presented to, agreed upon, and approved by the Board of Trustees.

Major Initiatives

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

1. Capital Improvement and Deferred Maintenance

Major projects were planned and implemented to address the University's brick and mortar needs. The following projects and activities were in various stages of implementation during fiscal year 2010. Infrastructure projects are targeted in the following areas:

A. Classroom Buildings

1. Construction on Hodge Hall Science Building Annex began in the summer of 2008 and is scheduled for completion and occupancy in September 2010.
2. The Engineering/Computer Science Building architecture and engineering design services are in the final stages with construction scheduled for winter 2010. Both of these projects are funded, in part, from a \$32 million Institutional Bond issue.

B. Administrative and Research Buildings

1. Construction for the restoration of Lowman Hall, one of the oldest buildings on campus and listed on the National Register of Historic places and sites, began in the spring of 2008. This building was completed and occupied in December 2009. Lowman Hall houses various administrative offices, including the president's office and the Board of Trustees Conference Room.
2. Phase I of The James E. Clyburn Transportation Research and Conference Center is under construction, with site work completed. The Research Transit Center is scheduled to begin construction in July 2010 and scheduled for completion in July 2011.

C. There were many deferred maintenance projects completed during the year. Among the projects completed are roof repair and replacements, road repairs, and heating ventilation and A/C systems.

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 in teaching, research, and service. The accomplishments of the University's faculty are numerous. For example, there has been an increase in funded research grants and scholarly publications. There's also been an increase in faculty participation in broad international, national, and local professional activities. All programs reviewed by accrediting bodies this year were reaffirmed. The program in Visual Arts received its initial accreditation and a new degree program in Communications was approved. Through a new Faculty Development Academy, faculty is provided ongoing development in teaching, learning and mentoring workshops. As a result, the University's faculty is becoming more innovative by increasingly integrating technology into their teaching process. While developing highly skilled undergraduates is a top priority, the university continues to receive high ranks in the production of doctorates in education administration. Summer initiatives such as The Bridge Program, The Academic Enhancement Academy, and The Nuclear Science Camp provide a bridge between high school and college. Moreover, while all colleges and universities are expected to produce the academic minds and scientific research that advance knowledge and drive economic growth, the SC State ranks 1st in the nation for social mobility (*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 goals and ensures that key managers within the University are all one accord. 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 realistic goals and objectives consistent with the Institution's mission, as well as 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 supports the claim that students are achieving learning and development goals that include 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 2010.

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, 2010, 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, 2010, 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

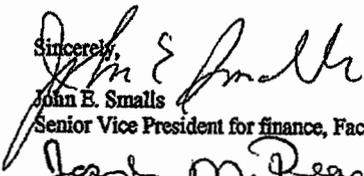
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to South Carolina State University for its comprehensive annual financial report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR). The CAFR 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 its eligibility for another certificate.

Acknowledgments

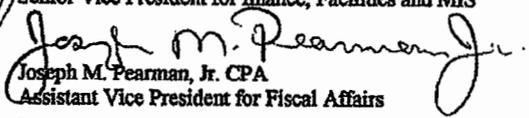
Management thanks the President of the University and members of the Board of Trustees for their continued support and dedication to excellence and integrity in the fiscal affairs of South Carolina State University. We would also like to extend our appreciation to all of our colleagues across campus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

Sincerely,



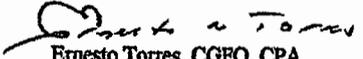
John E. Smalls

Senior Vice President for finance, Facilities and MIS



Joseph M. Pearman, Jr. CPA

Assistant Vice President for Fiscal Affairs



Ernesto Torres, CGFO, CPA

Controller



Rashad Rogers, CGFO

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, 2009

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
2009-2010



Mark Sanford
Governor



Jonathan N. Pinson
Chairman



Dr. John H. Corbitt
Vice Chairman



Martha S. Smith
Gubernatorial Appointee



Robert M. Nance
Secretary, Seat 7 At-Large



Karl V. Green
First District



Linda K. Edwards-Duncan
Fifth District



Maurice Washington
Sixth District



Reggie Gallant
Second District



Matthew Richardson
Seat 8 At-Large



Earl A. Bridges, Jr.
Seat 9 At-Large



Dr. Walter Tobin
Seat 11 At-Large



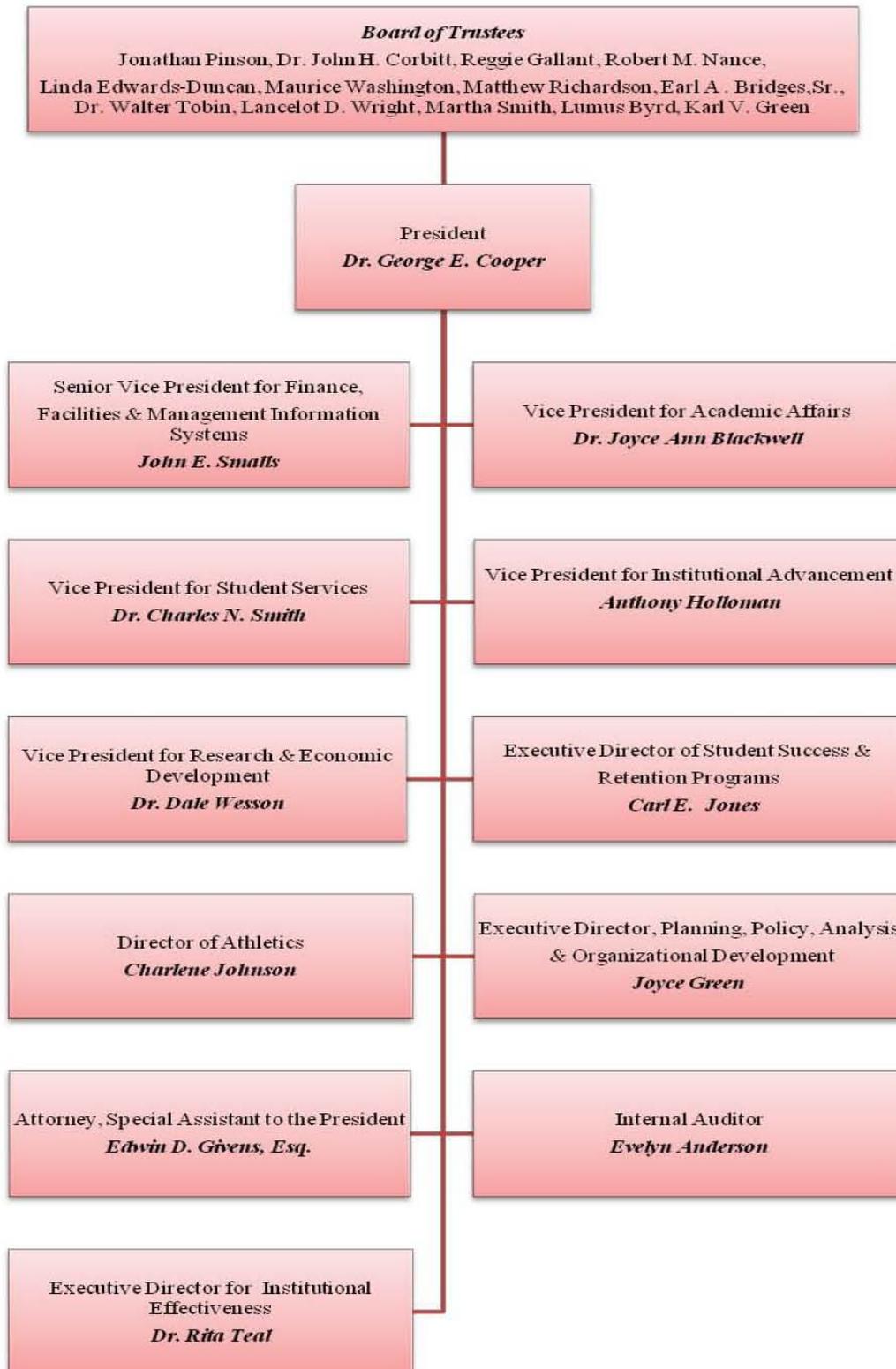
Lancelot D. Wright
Seat 12 At-Large



Lumus Byrd
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 & MIS

Joseph M. Pearman, Jr., CPA

Assistant Vice President for Finance, Facilities & MIS

Ernesto M. Torres, CGFO, CPA

Controller

Rashad Rogers, CGFO

Accounting Manager

South Carolina State University
Comprehensive Annual Financial Report



Oliver C. Dawson Stadium

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 discretely presented component unit of South Carolina State University, (the "University") as of and for the year ended June 30, 2010 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 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 the 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 and the report of other auditors provide 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, 2010, 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 discretely presented component unit of the University as of June 30, 2010, 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 6, 2010 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 17 through 21 is not a required part of the basic financial statements but is 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 introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry Bekaert + Holland, C.C.P.A.

Charlotte, North Carolina
October 6, 2010

SOUTH CAROLINA STATE UNIVERSITY

Management's Discussion and Analysis

Year Ended June 30, 2010

Introduction

We are pleased to submit the annual Financial Statements for South Carolina State University (SCSU) for the fiscal year ended June 30, 2010. The following discussion and analysis have 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, 2010. Audited financial statements for fiscal year 2009 are not presented with this report; condensed operations and financial position will be presented in this section in order to illustrate pertinent increases and decreases. Please read this section 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*. The University has incorporated one non-governmental component unit, South Carolina State University Foundation, Inc. (the "Foundation"). Two of the Foundation's statements: (1) Statement of Financial Position and (2) Statement of Activities are presented separately in the University's report. Management's 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 the following financial statements: Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. These financial statements illustrate 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). These statements, therefore, 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, Pell grants, 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 primarily of cash and receivables. The current portion of the assets will be converted to cash within one year to be used to pay 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 into 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, 2009 and June 30, 2010.

Condensed Statement of Net Assets

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current Assets	\$ 10,949,525	\$ 8,081,760	\$ 2,867,765	35.48%
Non-current Assets	36,305,715	42,426,481	(6,120,766)	-14.43%
Capital Assets, Net	112,993,222	104,077,514	8,915,708	8.57%
Total Assets	<u>\$ 160,248,462</u>	<u>\$ 154,585,755</u>	<u>\$ 5,662,707</u>	3.66%
Liabilities:				
Current Liabilities	\$ 14,719,692	\$ 18,459,350	\$ (3,739,658)	-20.26%
Non-current Liabilities	81,219,058	79,861,725	1,357,333	1.70%
Total Liabilities	<u>\$ 95,938,750</u>	<u>\$ 98,321,075</u>	<u>\$ (2,382,325)</u>	-2.42%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 59,034,120	\$ 55,525,954	\$ 3,508,166	6.32%
Restricted-Nonexpendable	938,208	914,098	24,110	2.64%
Restricted—Expendable	5,656,617	5,567,191	89,426	1.61%
Unrestricted	(1,319,233)	(5,742,563)	4,423,330	-77.03%
Total Net Assets	<u>\$ 64,309,712</u>	<u>\$ 56,264,680</u>	<u>\$ 8,045,032</u>	14.30%

The vast majority of current assets (87.7%) are composed of cash and cash equivalents, along with student and grant accounts receivables, net of allowance for doubtful accounts. Current liabilities consist primarily of accounts payable, accrued payroll, deferred unearned student revenues, and bonds and notes payables (81.4%).

The \$2.9 million increase in current assets is almost wholly attributable to the increase in cash and cash equivalents. There was an increase of \$3.4 million in cash and cash equivalents from the prior year which was offset by a reduction of approximately \$750,000 in receivables. Non-current assets decreased by 14.4%. The reduction is wholly attributable to restricted cash and cash equivalents for construction projects on the campus. This decrease is reflected in the increase in capital assets. Capital assets increased by \$8.9 million. The University had a net decrease in construction in progress by \$13.7 million. This drop mainly consists of capitalization of Hodge Hall and Lowman Hall. See Note 5 for detail information of capital asset changes. Current liabilities decreased by \$3.7 million (20%) from the prior year. The decrease consists of a drop of \$5.3 million (67%) of accounts payable and retainage payables offset by decreases in deferred and unearned student revenue of \$1 million (31%), and notes and bonds payables \$600,000 (26%). The increase of \$4.4 million in unrestricted net assets is the impact of the increase in cash and cash equivalents and decrease in liabilities as discussed above. Overall, total assets and total liabilities remained consistent with only a 3.7% asset increase and a 2.4% liability decrease from the prior year.

Net assets are a good indicator of the University's financial position and are useful as a trend measurement tool of financial strength, once additional historical data is obtained. Net assets increased by \$8.0 million or 14.3%.

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, Pell grants, 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 implementation of the University's mission. Non-operating revenues are revenues 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>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Student tuition and fees (net of allowance)	\$ 34,568,248	\$ 34,502,140	\$ 66,108	0.19%
Grants and contracts	30,459,612	32,516,487	(2,056,875)	-6.33%
Sales and services (net of allowance)	15,232,456	14,612,427	620,029	4.24%
Other operating revenues	1,500,136	1,109,063	391,073	35.26%
Total Operating Revenues	\$ 81,760,452	\$ 82,740,117	\$ (979,666)	-1.18%
Operating Expenses				
Salaries and wages and related fringe benefits	59,240,115	61,265,702	(2,025,588)	-3.31%
Services, supplies, and others	31,843,708	36,401,916	(4,558,208)	-12.52%
Utilities	2,882,445	3,505,396	(622,951)	-17.77%
Scholarships	16,772,402	15,409,287	1,363,115	8.85%
Depreciation	5,182,954	3,635,644	1,547,310	42.56%
Total Operating Expenditures	\$ 115,921,624	\$ 120,217,945	\$ (4,296,322)	-3.57%
Operating Loss	\$ (34,161,172)	\$ (37,477,828)	\$ 3,316,656	-8.85%
Non-Operating Revenues (Expenses)				
State appropriations	19,154,845	21,848,609	(2,693,764)	-12.33%
Federal grants	17,750,231	11,342,112	6,408,119	56.50%
Gifts	525,487	-	525,487	100.00%
Interest and other investment income (expense)	(2,147,719)	(880,572)	(1,267,147)	143.90%
Loss on disposal of assets and other non-operating	-	(30,302)	30,302	-100.00%
Non-Operating Revenues (Expenses)	\$ 35,282,844	\$ 32,279,847	\$ 3,002,997	9.30%
Income before other revenues, expenses, gains or losses	1,121,672	(5,197,981)	6,319,653	-121.58%
Capital grants and gifts and Capital Improvement Bonds	6,923,360	7,725,571	(802,211)	-10.38%
Increase in Net Assets	\$ 8,045,032	\$ 2,527,590	\$ 5,517,442	218.29%
Net Assets at Beginning of Year	\$ 56,264,680	\$ 53,737,090	\$ 2,527,590	4.70%
Net Assets at End of Year	\$ 64,309,712	\$ 56,264,680	\$ 8,045,032	14.30%

In the fiscal year 2010 "Statement of Revenues, Expenses and Changes in Net Assets," Title IV Pell grant revenues are reported under Non-Operating Revenues (Expenses). Therefore, for comparison purposes, we have reclassified the Pell expenses for fiscal year 2009 as non-operating on the condensed statement above. Operating revenues for Student Tuition and Fees and the Auxiliary Enterprises have been shown net of Scholarship Allowances. 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. Tuition and fees remained consistent from the prior year. There was a Board mandated 8.4% tuition increase for the year. The decline in enrollment offset any potential additional revenue to be derived from the tuition increase. Overall operating revenues had a slight decrease of \$980,000 or 1.18%. Non-operating revenues (expenses) increased by \$3.0 million or 9.3% which reflects the addition of TARP stimulus funds of \$3.7 million, offset by a drop in State appropriations of \$2.7 million.

There was a decrease of \$4.3 million or 3.6% in operating expenses from fiscal year 2009 to fiscal year 2010. Salaries and related fringe benefits along with service and supplies expenditures were reduced by \$6.6 million which was offset by an expenditure increase of \$1.4 million of scholarships. These reductions were necessary to contend with appropriation reductions, a decline in enrollment, and the need to improve the University's unrestricted net assets balance. As a result of these efforts net assets increased by \$8 million of which \$4.4 is related to an increase in unrestricted net assets.

The University's "Operating Loss" of \$34.2 million is an increase of \$3.3 million from the loss recognized in fiscal year 2009. This is the net result of the decreases in operating revenues and operating expenditures as described above.

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 section details operating cash flows and shows the net cash used by the operating activities of the University. The second section details 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 details cash flows from capital and related financing activities. This section reflects 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. This section is detailed in the financial statements of the University and is not included in this analysis. A synopsis of the Statement of Cash Flows follows.

Condensed Statement of Cash Flows

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Cash used by operating activities	\$ (33,801,451)	\$ (29,850,166)	\$ (3,951,285)	13.24%
Cash provided by non-capital financing activities	37,430,563	33,190,721	4,239,842	12.77%
Cash used by capital debt and related financing activities	(8,029,423)	(15,286,743)	7,257,320	-47.47%
Cash provided by investing activities	<u>1,629,088</u>	<u>2,517,481</u>	<u>(888,393)</u>	-35.29%
Net Increase (Decrease) in Cash	(2,771,223)	(9,428,707)	6,657,484	70.61%
Cash, Beginning of Year	<u>37,525,659</u>	<u>46,954,366</u>	<u>(9,428,707)</u>	-20.08%
Cash, End of Year	\$ <u>34,754,436</u>	\$ <u>37,525,659</u>	\$ <u>(2,771,223)</u>	-7.38%

Cash and cash equivalents decreased by \$2.8 million or 7.4% from the prior year. This is due in large part to the University experiencing a \$2.7 reduction in total state appropriations. The majority of state agencies suffered substantial budget cuts due to State revenue shortfalls.

Capital Asset and Debt Administration

The University's "Statement of Net Assets" reflects total Capital Assets, net of accumulated depreciation, as of June 30, 2010 of \$113 million. This amount is presented net of accumulated depreciation and includes land, plant (facilities), equipment, and construction in progress.

The University's financial statements reflect \$78.8 million in notes and bonds payable. The University's bonded indebtedness consisted of: State Institution bonds of \$32.5 million, stadium improvement revenue bonds of \$665,000, student residential life building revenue notes of \$37.7 million, and State Treasurer's Office Master Loan Program of \$7.8 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 \$8 million in construction in progress as of June 30, 2010. Specific components of the construction in progress are: Architecture and Engineering and construction of the James E. Clyburn Transportation Center (\$4.8 million), Library Expansion (\$227,000), Camp Daniel (\$561,000), Architecture and Engineering and construction of the Engineering and Computer Science facility (\$2.3 million). New capital equipment and machinery, with an individual cost of \$5,000 per item, was increased during the fiscal year by \$4.5 million with no offset of write offs for disposal of equipment. See Note 5 for further detail of the capital assets.

Economic Outlook

South Carolina State University for the third year experienced a dramatic decline in state appropriations, (as well as to all public institutions in South Carolina and throughout the country). State funds are allocated through the South Carolina General Assembly appropriations process. Decisions made by the administration in response to this decline were deliberate and strategic to ensure the continued quality of the education students receive at the institution while also not compromising the academic integrity of the program offerings. Some of the major measures invoked to address the revenue shortfalls were seven employee furlough days, hiring freeze, except for essential positions, reduction in force; and reductions in all other operating expenses. The administration met continually to review all programs in light of the state allocation reductions and decisions were made that were in the best interest of the students. The University has implemented moderate increases in tuitions and fees during this period to help offset the reduction in state appropriations. However the anticipated revenue from the tuition increases were negated by declines in enrollment. The university has also strengthened and heightened its recruitment and fundraising efforts to assist in addressing the financial needs. Based on current trends in the national and state financial climate, SC State is expected to continue to experience moderate increases in tuition and fees over the next several years. Increasing enrollment will be key to tempering future tuition increases along with staying competitive in the higher education market. University management is poised to expect further declines in support from the State General Assembly. One major cost to the University is deferred maintenance. The University anticipates an upgrade and replacement of major controls and systems on the campus via the implementation of an energy performance contract. The debt service for this contract is derived through guaranteed savings from utility costs from the higher efficiency systems and controls to be installed. This is expected to reduce our deferred maintenance costs significantly in the future. Every effort will be made to ensure that SC State is competitive with other quality institutions in terms of facilities, equipment and overall campus living environment.

More Information

This financial report is designed to provide a general overview of the University's finances and to demonstrate the University's accountability for the funds it receives. Any questions regarding this report or requests for information may be addressed to the Assistant Vice President of Finance, Facilities, and Management Information Systems, Joseph M. Pearman, Jr., CPA; 300 College Street, NE PO Box 7007; Orangeburg, South Carolina 29117-0001.

SOUTH CAROLINA STATE UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

Current Assets:

Cash and cash equivalents	\$ 3,437,602
Accounts receivable (net of allowance for bad debts \$1,202,207)	1,786,121
Federal grants receivable	3,956,782
State grants receivable	425,121
Other receivables	1,129,114
Prepaid items	124,920
Funds due from others	89,865
Total current assets	<u>10,949,525</u>

Noncurrent Assets:

Restricted cash and cash equivalents	31,316,834
Student loans receivables (net of allowance for bad debts \$437,031)	4,443,208
Investments	100,324
Capital assets, net of accumulated depreciation	112,993,222
Note issue costs (net of amortization \$285,747)	445,349
Total noncurrent assets	<u>149,298,937</u>
Total Assets	<u>\$ 160,248,462</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 2,662,498
Accrued payroll and related liabilities	2,071,522
Deferred and unearned student revenue	4,409,756
Student deposits	36,878
Compensated absences payable	1,200,380
Accrued interest payable	1,020,773
Capital lease payable	474,544
Notes and bonds payable	2,843,341
Total current liabilities	<u>14,719,692</u>

Noncurrent Liabilities:

Compensated absences payable	2,748,572
Notes and bonds payable	75,915,367
Capital lease payable	628,878
Federal loan fund contributions	1,926,241
Total noncurrent liabilities	<u>81,219,058</u>
Total Liabilities	<u>\$ 95,938,750</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 59,034,120
Restricted for:	
Nonexpendable:	
Endowed professorships	938,208
Expendable:	
Student loans	2,777,812
Debt service and capital projects	2,878,805
Unrestricted (deficit)	(1,319,233)
Total Net Assets	<u>\$ 64,309,712</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, 2010

REVENUES

Operating Revenues:	
Student tuition and fees (net of scholarship allowances of \$10,195,389)	\$ 31,579,465
Student tuition and fees pledged for revenue Bonds	2,988,783
Federal grants and contracts	20,944,746
State grants and contracts	9,291,663
Non-governmental grants and contracts	223,203
Sales and services of educational departments	3,157,655
Sales and services of auxilliary enterprises (net of scholarship allowances of \$4,811,149)	9,463,527
Sales and services of auxilliary enterprises - pledged for revenue bonds	2,611,274
Other operating revenues	1,500,136
Total operating revenues	<u>81,760,452</u>

EXPENSES

Operating Expenses:	
Salaries and wages	46,407,140
Fringe benefits	12,832,975
Services, supplies, and others	31,843,708
Utilities	2,882,445
Scholarships	16,772,402
Depreciation and amortization	5,182,954
Total operating expenses	<u>115,921,624</u>
Operating loss	<u>(34,161,172)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	19,154,845
Federal grants	17,750,231
Gifts	525,487
Interest and other investment income	1,499,531
Interest expense	<u>(3,647,250)</u>
Net nonoperating revenues (expenses)	<u>35,282,844</u>
Income before other revenues, expenses, gains or losses	1,121,672
Capital grants and gifts	1,165,063
State capital improvement bond proceeds	<u>5,758,297</u>
Increase in net assets	8,045,032

NET ASSETS

Net assets - Beginning of Year	56,264,680
Net assets - End of Year	<u>\$ 64,309,712</u>

See Accompanying Notes to Financial Statements

SOUTH CAROLINA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 33,415,168
Federal grants and contracts	21,081,189
State Grants and contracts	9,020,529
Other Grants and contracts	285,831
Sales and services of education and other activities	3,157,655
Sales and services of auxiliary and enterprises	14,463,860
Other operating revenues	1,500,136
Payments to employees for salaries and benefits	(59,354,037)
Payments to suppliers	(37,230,106)
Payments for utilities	(2,882,445)
Payments to students for scholarships and fellowships	(16,772,402)
Inflows from Federal Family Education loans	42,256,620
Outflows from Federal Family Education loans	(42,212,431)
Loans issued to students	(380,802)
Collection of loans to students	235,761
Others	(385,977)
Net Cash Provided (Used) By Operating Activities	<u>(33,801,451)</u>

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	19,154,845
Federal Grants and contracts	17,750,231
Gifts	525,487
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>37,430,563</u>

CASH FLOWS FROM CAPITAL DEBT AND RELATED FINANCING ACTIVITIES

Proceeds from federal/donated capital projects	1,572,271
Purchases of capital assets	(13,285,252)
Proceeds from note	4,700,960
State Capital Bond Proceeds	5,758,297
Principal paid on capital debt and issuance costs	(2,245,323)
Principal paid on capital lease payable	(464,191)
Interest paid on capital related debt	(4,066,185)
Net Cash Provided (Used) by Capital Debt and Related Financing Activities	<u>(8,029,423)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	1,629,855
Purchase of investments	(767)
Net Cash Provided (Used) by Investing Activities	<u>1,629,088</u>

Net change in cash	(2,771,223)
Cash and cash equivalents - Beginning of the Year	37,525,659
Cash and Cash Equivalents - End of the Year	<u>\$ 34,754,436</u>

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (34,161,172)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	5,125,205
Loan Amortization expense	57,749
Changes in assets and liabilities:	
Accounts receivable, net	651,371
Grants and other receivables	(113,507)
Student loan receivable - net	(145,041)
Prepaid expenses	(98,351)
Accounts payable and accrued expenses	(5,086,553)
Compensated absences payable	(315,420)
Deferred revenue	626,054
Student deposits	(146,099)
Other	(195,687)
Net Cash Provided (Used) by Operating Activities	<u>\$ (33,801,451)</u>

NON-CASH TRANSACTIONS

Increase in fair value of investments	371,972
Equipment acquired through capital lease	359,270

RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:

Current Assets:	
Cash and cash equivalents	\$ 3,437,602
Non-current Assets:	
Restricted cash and equivalents	31,316,834
Total Cash and Cash Equivalents	<u>\$ 34,754,436</u>

See Accompanying Notes to Financial Statements

SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.

Statement of Financial Position December 31, 2009

Assets

Cash and cash equivalents	\$	517,194
Contributions receivable		30,314
Pledges receivable, less allowance for doubtful accounts		80,000
Investments		5,711,761
Cash value of life insurance		3,187
Art collections		224,015
Land		23,700
		<hr/>
Total assets	\$	6,590,171
		<hr/> <hr/>

Liabilities and net assets

Accounts payable	\$	51,351
Accrued payroll expenses		349
Due to South Carolina State University		513
		<hr/>
Total liabilities		52,213
		<hr/>

Net assets

Unrestricted		(514,693)
Temporarily restricted		3,420,337
Permanently restricted		3,632,314
		<hr/>
Total net assets		6,537,958
		<hr/>
Total liabilities and net assets	\$	6,590,171
		<hr/> <hr/>

SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.

Statement of Activities December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	\$ 22,112	\$ 1,923,664	\$ 71,004	\$ 2,016,780
Investment income	(104,451)	-	-	(104,451)
Unrealized gains (losses)	306,986	372,641	-	679,627
Bad debts (expense) recovery	-	10,858	(196,473)	(185,615)
Net assets released from restrictions	1,543,570	(1,543,570)	-	-
Total revenues	1,768,217	763,593	(125,469)	2,406,341
Expenses				
Program				
Scholarships	957,128	-	-	957,128
Educational programs and development	501,430	-	-	501,430
Total program expenses	1,458,558	-	-	1,458,558
Administration	225,077	-	-	225,077
Fund-raising	56,610	-	-	56,610
Total expenses	1,740,245	-	-	1,740,245
Change in net assets	27,972	763,593	(125,469)	666,096
Net assets at beginning of year, before reclassification	(750,602)	3,048,290	3,574,174	5,871,862
Reclassification of net assets	207,937	(391,546)	183,609	-
Net assets at beginning of year, after reclassification	(542,665)	2,656,744	3,757,783	5,871,862
Net assets at year end	\$ (514,693)	\$ 3,420,337	\$ 3,632,314	\$ 6,537,958

SOUTH CAROLINA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 Accounting Standards Codification Topic relevant to not-for-profit entities. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, and the unamortized portion of the deferred capital contributions from outside contributors.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 accounting principles generally accepted in the United States of America 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:

Statement of Net Assets

	South Carolina State Univ.	South Carolina State Univ. Foundation, Inc.
Cash and cash equivalents (current)	\$ 3,437,602	\$ 517,194
Restricted cash and cash equivalents:		
Loan funds	260,845	-
Debt service	2,878,805	-
Cash for capital project	27,639,968	-
Endowment	537,216	-
Restricted cash and cash equivalents	<u>31,316,834</u>	<u>-</u>
Investments:		
Investments	<u>100,324</u>	<u>5,711,761</u>
Investments	<u>100,324</u>	<u>5,711,761</u>
Total	<u>\$ 34,854,760</u>	<u>\$ 6,228,955</u>

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, 2010, The University had investments and maturities as shown below:

Investment Type	Fair Value	Maturity
Common Stock	\$ 4,424	
Series 1984 Agricultural College Stock	95,900	2035
	<u>\$ 100,324</u>	

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

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.

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

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, 2010, South Carolina State University Foundation, Inc.'s investments are as follows:

Investments carried at fair value	Cost	Fair Value
Equity Funds and individual securities	\$ 2,599,721	\$ 2,863,628
Fixed income funds and individual debt securities	2,755,722	2,848,133
Total investments carried at fair value	<u>\$ 5,355,443</u>	<u>\$ 5,711,761</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010, are summarized as follows:

Tuition and fees	\$ 2,113,109
Less allowance for doubtful accounts	(992,779)
Auxiliary enterprises	875,219
Less allowance for doubtful accounts	<u>(209,428)</u>
Net accounts receivable	<u>\$ 1,786,121</u>

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

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, 2010, the allowance for uncollectible student accounts is \$1,202,207.

NOTE 4 - LOANS RECEIVABLE

Loans receivable at June 30, 2010 consist of the following:

Perkins Loan Program	\$ 1,975,520
African American Loan Fund	1,183,605
Education Improvement Act	1,721,114
Less allowance for doubtful accounts	(437,031)
Net Loans Receivable	<u>\$ 4,443,208</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 is summarized as follows:

	Beginning Balance July 1, 2009	Increases	Decreases	Ending Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 2,573,180	\$ -	\$ -	\$ 2,573,180
Construction in-progress	21,737,070	13,252,203	(26,987,505)	8,001,768
Total capital assets not being depreciated	<u>24,310,250</u>	<u>13,252,203</u>	<u>(26,987,505)</u>	<u>10,574,948</u>
Other capital assets:				
Land Improvements	2,207,145	-	-	2,207,145
Buildings and improvements	114,270,181	23,172,825	-	137,443,006
Machinery, equipment, and other	9,382,878	4,566,256	-	13,949,134
Vehicles	1,367,100	37,134	-	1,404,234
Total other capital assets at historical cost	<u>127,227,304</u>	<u>27,776,215</u>	<u>-</u>	<u>155,003,519</u>
Less accumulated depreciation for:				
Land Improvements	(138,799)	(86,619)	-	(225,418)
Buildings	(43,118,599)	(2,816,108)	-	(45,934,707)
Machinery, equipment, and other	(3,499,053)	(2,042,009)	-	(5,541,062)
Vehicles	(703,589)	(180,469)	-	(884,058)
Total accumulated depreciation	<u>(47,460,040)</u>	<u>(5,125,205)</u>	<u>-</u>	<u>(52,585,245)</u>
Other capital assets, net of accumulated depreciation	<u>79,767,264</u>	<u>22,651,010</u>	<u>-</u>	<u>102,418,274</u>
Capital assets, net of accumulated depreciation	<u>\$ 104,077,514</u>	<u>\$ 35,903,213</u>	<u>\$ (26,987,505)</u>	<u>\$ 112,993,222</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, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 12.74 percent which included a 3.50 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, 2010, 2009, and 2008, were approximately \$2,971,644, \$3,068,283 and \$2,893,062, respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$48,241 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, 2008, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.50 percent surcharge. The University's actual contributions the PORS for the years ended June 30, 2010, 2009 and 2008 were approximately \$89,382, \$80,407, and \$81,093, respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$1,679 and accidental death insurance contributions of approximately \$1,679 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, 9.24 percent plus the retiree surcharge of 3.5 percent from the employer in fiscal year 2010.

Certain employees of the University have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$800,366 (excluding the surcharge) from the University as employer and approximately \$563,028 from its employees as plan members. 7.74 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 \$12,993 in the current fiscal year at the rate of .15 percent of compensation.

NOTE 6 - PENSION PLAN - CONTINUED

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, 2010.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of approximately \$3,044,603 for the year ended June 30, 2010. As discussed in Note 6, the University paid approximately \$1,458,166 applicable to the 3.5 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.

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 \$9,565,302 on projects that will be capitalized, and \$605,320 which will not be capitalized at June 30, 2010. The University anticipates funding these projects out of current resources, private gifts, student fees, State capital improvement bond proceeds, and debt 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 \$74,980 of un-drawn 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, 2010 the maximum liability was \$2,878,805. As of June 30, 2010 total charges of \$89,042 have been made against the Escrow Account pursuant to the default of another borrower in the HBCU Capital Finance Program.

NOTE 9 - LEASE OBLIGATIONS

The University acquired copying equipment under capital lease which commenced on June 8, 2007 and musical instruments in July 2009. The economic substance of the lease is that the University is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the University's assets and liabilities.

Future minimum payments required under capital lease together with their aggregate present values as of June 30, 2010 are as follows:

Year Ending June 30,2010	Capital Leases
2011	\$ 500,563
2012	500,563
2013	80,477
2014	80,477
Total Minimum Lease Payments	1,162,080
Less: Interest	58,658
Principal Outstanding	<u>\$ 1,103,422</u>
Current	\$ 474,544
Noncurrent	628,878
	<u>\$ 1,103,422</u>

Amortization of assets held under capital lease is included with depreciation expense. Equipment purchased through capital lease financing during the year ended June 30, 2008 was \$1,963,020. At June 30, 2010 the leased equipment is carried at a cost of \$1,963,020 with accumulated depreciation of \$1,177,812. The musical instrument which was acquired in July 2009 is carried at a cost of \$359,270 with accumulated depreciation of \$71,854.

Total rental payments under operating leases were approximately \$171,091 for fiscal year 2010.

NOTE 10 – BONDS AND NOTES PAYABLE

Bonds and Notes Payable consisted of the following at June 30, 2010:

	Interest Rates	Maturity Dates	Balance
Stadium Improvement Revenue	5.15- 5.5%	2006-2013	\$ 665,000
Bonds, Series 1993A			
State Institution	3.0 - 5.0%	2006-2023	3,015,000
Bonds, Series 2003G			
Bonds Series 2006D	4.00-5.0%	2007-2027	29,515,000
Total Bonds Payable			<u>33,195,000</u>
Note Payable Part 1 Commerce Capital	3.679%	2005-2012	901,149
Note Payable Part 2 Commerce Capital	5.830%	2005-2035	36,813,552
Note Payable Bank of America Note 1	3.888%	2007-2017	513,730
Note Payable Bank of America Note 2	3.836%	2007-2017	331,016
Note Payable Bank of America Note 3	3.613%	2009-2018	786,169
Note Payable Bank of America Note 4	5.079%	2009-2019	1,517,132
Note Payable Bank of America Note 5	3.75%-4.5%	2010-2022	4,700,960
Total Notes Payable			<u>45,563,708</u>
Total Bonds and Notes Payable			<u>78,758,708</u>
Current			<u>2,843,341</u>
Non-Current			<u>\$ 75,915,367</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, 2010 are as follows:

	Principal	Interest	Totals
2011	\$ 210,000	\$ 36,255	\$ 246,255
2012	220,000	24,915	244,915
2013	235,000	12,925	247,925
Totals	<u>\$ 665,000</u>	<u>\$ 74,095</u>	<u>\$ 739,095</u>

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, 2009 was \$2,304,616, which results in a legal debt limit of \$2,074,154. The University's maximum annual debt service requirement of \$2,723,762 will occur during the fiscal year ending June 30, 2010. The tuition fee revenue for June 30, 2010 was \$2,988,783 which results in a legal debt limit of \$2,689,905. 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, 2010 are as follows:

Series 2003G AND 2006D

	Principal	Interest	Total
2011	\$ 1,355,000	\$ 1,364,450	\$ 2,719,450
2012	1,405,000	1,309,668	2,714,668
2013	1,460,000	1,254,269	2,714,269
2014	1,515,000	1,193,419	2,708,419
2015	1,580,000	1,129,243	2,709,243
2016-2020	8,930,000	4,458,794	13,388,794
2021-2025	11,090,000	2,335,875	13,425,875
2026-2027	5,195,000	223,234	5,418,234
Totals	<u>\$ 32,530,000</u>	<u>\$ 13,268,952</u>	<u>\$ 45,798,952</u>

The University reported principal retirements and interest expense related to the bonds payable for the year ended June 30, 2010 as follows:

Bond And Note	Principal	Interest
Student and Faculty Housing Revenue Note	\$ 426,668	\$ 42,114
Student and Faculty Housing Revenue Note	-	1,967,617
Stadium Improvement Revenue Bonds	200,000	46,855
State Institution Bonds	160,000	114,256
State Institution Bonds	1,145,000	1,291,941
Equipment Acquisition Note 1	62,823	22,414
Equipment Acquisition Note 2	40,564	14,252
Equipment Acquisition Note 3	80,400	30,224
Equipment Acquisition Note 4	129,868	81,206
Capital Lease	464,191	36,370
	<u>\$ 2,709,514</u>	<u>\$ 3,647,249</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.

NOTE 10 - BONDS AND NOTES PAYABLE - CONTINUED

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 \$1,431,416 beginning in 2009 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, 2010.

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 as well as debt service coverage with net operating revenues. The University failed to meet these covenants during the year ended June 30, 2010. However, the lender has granted a waiver for some of these violations but not others. Management is in process of obtaining a waiver of the other violations.

Scheduled amounts including interest required to complete payment of the housing note as of June 30, 2010.

Part 1	Principal	Interest	Totals
2011	442,373	29,157	471,530
2012	458,776	12,755	471,531
Totals	<u>\$ 901,149</u>	<u>\$ 41,912</u>	<u>\$ 943,061</u>

Part 2	Principal	Interest	Totals
2011	-	1,980,276	1,980,276
2012	-	1,985,702	1,985,702
2013	106,202	2,756,630	2,862,832
2014	450,973	2,411,859	2,862,832
2015	911,327	1,951,505	2,862,832
2016-2020	5,773,742	8,540,419	14,314,161
2021-2025	7,461,398	6,852,763	14,314,161
2026-2030	9,648,687	4,663,474	14,312,161
2031-2035	12,461,223	1,863,015	14,324,238
Totals	<u>\$ 36,813,552</u>	<u>\$ 33,005,643</u>	<u>\$ 69,819,195</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 imputed at 3.8875%, as stated in the contract. 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 note requires annual payments of \$54,816 beginning in May 2008 with the last payment due in May 2017. The payments included interest imputed at 3.8355%, as stated in the contract. The funds from the lease 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.

NOTE 10 – BONDS AND NOTES PAYABLE – CONTINUED

During fiscal year 2009, the University issued two additional notes payable in order to acquire certain equipment. The note in the amount of \$925,000 was issued on September 25, 2008 which requires an annual payment of \$110,624 beginning in December 2008 with the last payment due September 2018. The payment includes interest imputed at 3.6125% as stated in the contract. The other note in the amount of \$1,647,000 was issued on June 24, 2009 which requires an annual payment of \$211,074 beginning in September, 2009 with the last payment due in June 2019. The payment includes interest imputed at 5.079% as stated in the contract.

In fiscal year 2010, the University issued an additional note payable in order to acquire additional equipment. The note in the amount of \$4,700,960 was issued on June 25, 2010 which requires an annual payment of \$706,223 beginning in September 2010 with the last payment due June 2020. The payment includes interest imputed at 4.3788% as stated in the contract.

Note 1	Principal	Interest	Totals
2011	\$ 65,266	\$ 19,971	\$ 85,237
2012	67,803	17,434	85,237
2013	70,439	14,798	85,237
2014	73,177	12,060	85,237
2015	76,022	9,215	85,237
2016-2017	161,023	9,450	170,473
Totals	<u>\$ 513,730</u>	<u>\$ 82,928</u>	<u>\$ 596,658</u>

Note 2	Principal	Interest	Totals
2011	\$ 42,120	\$ 12,696	\$ 54,816
2012	43,735	11,081	54,816
2013	45,412	9,403	54,815
2014	47,154	7,661	54,815
2015	48,963	5,853	54,816
2016-2017	103,632	5,999	109,631
Totals	<u>\$ 331,016</u>	<u>\$ 52,693</u>	<u>\$ 383,709</u>

Note 3	Principal	Interest	Totals
2011	\$ 83,344	\$ 27,280	\$ 110,624
2012	86,396	24,228	110,624
2013	89,560	21,064	110,624
2014	92,839	17,785	110,624
2015	99,763	10,861	110,624
2016-2019	334,267	25,263	359,530
Totals	<u>\$ 786,169</u>	<u>\$ 126,481</u>	<u>\$ 912,650</u>

Note 4	Principal	Interest	Totals
2011	\$ 136,590	\$ 74,483	\$ 211,073
2012	143,662	67,413	211,075
2013	151,099	59,976	211,075
2014	158,920	52,153	211,073
2015	175,800	35,274	211,074
2016-2019	751,061	93,235	844,296
Totals	<u>\$ 1,517,132</u>	<u>\$ 382,534</u>	<u>\$ 1,899,666</u>

Note 5	Principal	Interest	Totals
2011	\$ 508,648	\$ 197,575	\$ 706,223
2012	531,290	174,934	706,224
2013	554,940	151,284	706,224
2014	579,642	126,581	706,223
2015	605,444	100,779	706,223
2016-2020	1,920,996	228,421	2,149,417
Totals	<u>\$ 4,700,960</u>	<u>\$ 979,574</u>	<u>\$ 5,680,534</u>

NOTE 11- LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 was as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010	Due within One year
Accrued compensated absences and related benefits	\$ 4,264,372	\$ 881,204	\$ 1,196,624	\$ 3,948,952	\$ 1,200,380
Revenue bonds payable	865,000	-	200,000	\$ 665,000	210,000
State institutional bond payable	33,835,000	-	1,305,000	\$ 32,530,000	1,355,000
Notes payable	41,603,071	4,700,960	740,323	\$ 45,563,708	1,278,341
Capital lease	1,208,343	359,270	464,191	\$ 1,103,422	474,544
	<u>\$ 81,775,786</u>	<u>\$ 5,941,434</u>	<u>\$ 3,906,138</u>	<u>\$ 83,811,082</u>	<u>\$ 4,518,265</u>

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 \$203,404 due from the Foundation for reimbursement of scholarships awarded to students during the FY 2010.

Various financial activities occurred between the University and the Foundation. A summary of transactions for the year ended June 30, 2010 follows:

Scholarships were awarded by the University and funded by the Foundation.	\$1,151,702
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.	\$ 131,188

The S.T.A.T.E. Club had the following transactions with the University during the FY 2010:

Football Season Tickets	\$ 108,560
Contribution to Athletic General Fund	\$ 97,200
Others	\$ 5,658

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 CONTRACTS

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the year ended June 30, 2010.

Current years appropriations for South Carolina State University:

Original appropriations per Annual Appropriation Act	\$	15,149,892
Felton Lab		503,125
Transportation Center Match		818,268

State Appropriations:

From State Dept of Education for Felton Lab		123,874
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Total H24 State Appropriations for South Carolina State University

16,595,159

PSA FY-09-10 Appropriations:

Original Appropriations Act		2,559,686
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Total P21 Appropriations FY2009-2010

2,559,686

Total non-capital appropriations recorded as current

\$ 19,154,845

Received from CHE:

HOPE Scholarships	\$	158,200
Life Scholarships		1,660,344
Palmetto Scholarships		26,800
Teaching Fellows		91,150
Need Based Grants		1,692,934
Access & Equity		99,414
Excellence Enhancement		587,500
Minority Teacher Recruitment		350,112
African American Teacher Loans		107,991
Lottery Funds		2,794,712
SCAMP		226,341
SCHOOL OF Business		284,893
S. C. National Guard CAP		227,850
JEC TRANSPORTATION CENTER		284,893

Received from other agencies:

Clemson		56,956
Department of Education		596,429
Other		45,144

Total

\$ 9,291,663

NOTE 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2010 are summarized as follows:

	Compensation and Employee Benefits	Service and supplies	Utilities	Scholarships and Fellowships	Depreciation	Grand Total
Instruction	\$ 25,528,978	\$ 3,074,182	\$ -	\$ -	\$ -	\$ 28,603,160
Research	5,823,107	3,995,598	-	-	-	9,818,705
Public Service	2,971,441	1,308,815	-	-	-	4,280,256
Academic Support	5,019,007	3,130,205	-	-	-	8,149,212
Student Services	7,902,411	3,903,850	-	-	-	11,806,261
Operations and Maintenance	1,078,826	364,923	1,752,243	-	-	3,195,992
Institutional Support	9,352,840	2,494,577	-	-	-	11,847,417
Scholarships	-	-	-	16,772,402	-	16,772,402
Auxiliaries Enterprises	1,563,505	13,571,558	1,130,202	-	-	16,265,265
Depreciation and Amortization	-	-	-	-	5,182,954	5,182,954
Total Operating Expenses	\$ 59,240,115	\$ 31,843,708	\$ 2,882,445	\$ 16,772,402	\$ 5,182,954	\$ 115,921,624

NOTE 17 - STATEMENT OF ACTIVITIES

The following information is provided for incorporation in the State of South Carolina Comprehensive Annual Financial Report.

	FY 2010	FY 2009	Increase / Decrease
Charges for services	\$ 80,260,316	\$ 92,166,306	\$ (11,905,990)
Operating grants, contributions and investment income	21,275,385	4,468,542	16,806,843
Capital operating grants and contributions	1,165,063	3,445,975	(2,280,912)
Less expenses	(119,568,874)	(124,361,561)	4,792,687
Net program revenue (expenses)	(16,868,110)	(24,280,738)	7,412,628
Transfers:			
State appropriations	19,154,845	21,848,609	(2,693,764)
Capital improvement bond proceeds	5,758,297	4,959,719	798,578
Total transfers:	24,913,142	26,808,328	(1,895,186)
Change in net assets	8,045,032	2,527,590	5,517,442
Net assets-beginning	56,264,680	53,737,090	2,527,590
Net assets-ending	\$ 64,309,712	\$ 56,264,680	\$ 8,045,032

NOTE 18 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. “Agency” contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.5% and 3.42% of annual covered payroll for 2010 and 2009, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$1,458,166 and \$1,453,433 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010 and 2009, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2010.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

NOTE 19 – The American Recovery and Reinvestment Act of 2009 (ARRA)

The University received an amount of \$3,753,587 as Educational State Grants Recovery Act and reported under non-operating federal grants in the Statement of Revenues, Expenses and Changes in Net Assets.

South Carolina State University Comprehensive Annual Financial Report



SC State University Women's Soccer

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.

CONTENTS	Page
Revenue Capacity Data These schedules help the reader determine the main source of the University's generated revenue from student tuition and fees.	45
Financial Trends These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.	45-48
Debt Capacity 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.	49-57
Demographic and Economic Information 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.	58-60

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

For the Year Ended June 30, (amounts expressed in thousands)									
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues									
Operating Revenues:									
Student Tuition and Fees (net of scholarship allowance)	\$ 34,568	\$ 34,502	\$ 31,714	\$ 28,602	\$ 24,965	\$ 24,380	\$ 19,793	\$ 17,052	\$ 15,347
Federal Grants and Contracts	20,945	31,702	29,779	14,408	26,590	25,535	22,440	21,886	20,541
State Grants and Contracts	9,292	11,119	9,212	8,129	5,329	7,141	3,980	3,236	2,598
Local Grants and Contracts		-	-	-	-	-	-	-	1
Non-Government Grants and Contracts	223	230	94	48	362	154	95	45	27
Sales and Services of Educational and Other Activities	3,157	2,547	2,436	1,779	398	485	456	323	352
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	12,075	12,066	10,615	9,120	9,680	10,758	8,492	4,046	6,994
Other Operating Revenue	1,500	1,109	3,442	5,520	3,664	3,021	1,864	1,661	1,059
Total Operating Revenue	81,760	93,275	87,292	67,606	70,988	71,474	57,120	48,249	46,919
Non-Operating Revenues:									
State Appropriations	19,155	21,849	31,678	27,248	27,216	23,170	22,576	24,642	27,562
Gifts, Grants and Contracts	17,750	807	834	14,173	4,318	5,365	453	375	291
Interest Income	1,500	2,552	2,194	1,263	341	262	76	539	260
Other Non-Operating Revenue	7,449	8,406	3,451	2,500	119	233	5,679	5,556	1,141
Total Non-Operating Revenue	45,854	33,614	38,157	45,184	31,994	29,030	28,784	31,112	29,254
Total Revenues	\$ 127,614	\$ 126,889	\$ 125,449	\$ 112,790	\$ 102,982	\$ 100,504	\$ 85,904	\$ 79,361	\$ 76,173

Schedule of Revenue by Source %

For the Year Ended June 30, (percent of total revenue)									
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues									
Operating Revenues:									
Student Tuition and Fees (net of scholarship allowance)	27.09%	27.19%	25.28%	25.36%	24.26%	24.26%	23.04%	21.49%	20.15%
Federal Grants and Contracts	16.41%	24.98%	23.74%	12.77%	25.41%	25.41%	26.12%	27.58%	26.97%
State Grants and Contracts	7.28%	8.76%	7.34%	7.21%	7.11%	7.11%	4.63%	4.08%	3.41%
Local Grants and Contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-Government Grants and Contracts	0.17%	0.18%	0.07%	0.04%	0.15%	0.15%	0.11%	0.06%	0.04%
Sales and Services of Educational and Other Activities	2.47%	2.01%	1.94%	1.58%	0.48%	0.48%	0.53%	0.41%	0.46%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	9.46%	9.51%	8.46%	8.09%	10.70%	10.70%	9.89%	5.10%	9.18%
Other Operating Revenue	1.18%	0.87%	2.74%	4.89%	3.01%	3.01%	2.17%	2.09%	1.39%
Total Operating Revenue	64.07%	73.51%	69.58%	59.94%	71.12%	71.12%	66.49%	60.80%	61.60%
Non-Operating Revenues:									
State Appropriations	15.01%	17.22%	25.25%	24.16%	23.05%	23.05%	26.28%	31.05%	36.18%
Gifts, Grants and Contracts	13.91%	0.64%	0.66%	12.57%	5.34%	5.34%	0.53%	0.47%	0.38%
Interest Income	1.18%	2.01%	1.75%	1.12%	0.26%	0.26%	0.09%	0.68%	0.34%
Other Non-Operating Revenue	5.84%	6.62%	2.75%	2.22%	0.23%	0.23%	6.61%	7.00%	1.50%
Total Non-Operating Revenue	35.93%	26.49%	30.42%	40.06%	28.88%	28.88%	33.51%	39.20%	38.40%
Total Revenues	100.00%								

Source: The Audited Financial Statement of SC State University For The Years Ended June 30, 2002-2010. Only nine years data available.

South Carolina State University
Schedule of Expenses by Use

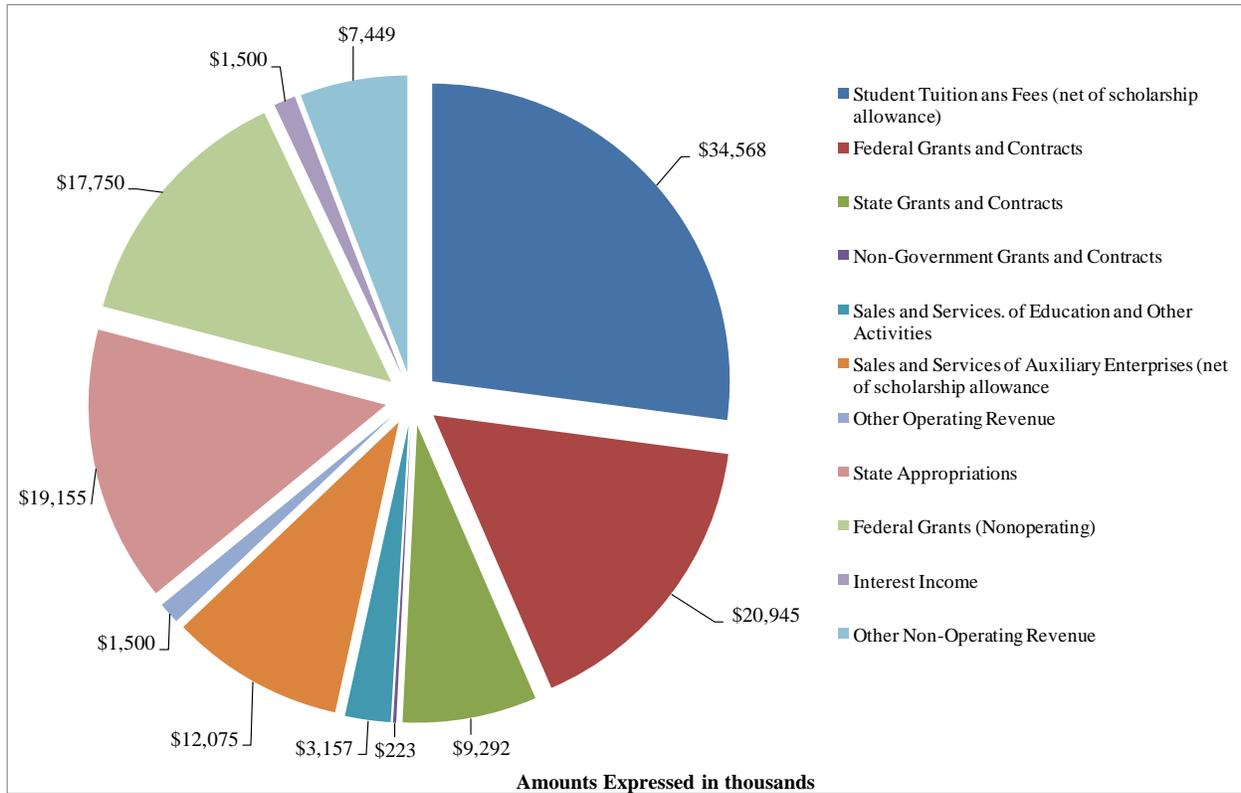
	For the Year Ended June 30,								
	(amounts expressed in thousands)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:									
Operating Expenses:									
Compensation and Employee Benefits	\$ 59,240	\$ 61,266	\$ 61,554	\$ 54,804	\$ 52,514	\$ 48,571	\$ 44,877	\$ 46,243	\$ 48,627
Service and Supplies	31,844	36,402	42,250	39,481	32,965	33,447	22,469	16,332	18,892
Utilities	2,883	3,505	3,626	3,893	3,943	3,026	2,308	2,370	1,844
Depreciation and Amortization	5,183	4,316	3,085	2,516	1,748	1,920	1,795	1,801	1,902
Scholarships and Fellowship	16,772	15,409	11,818	10,929	9,252	8,478	8,967	9,182	7,768
Total Operating Expenses	\$ 115,922	\$ 120,898	\$ 122,333	\$ 111,623	\$ 100,422	\$ 95,442	\$ 80,416	\$ 75,928	\$ 79,033
Non-operating Expenses:									
Interest and Other	\$ 3,647	\$ 3,463	\$ 4,490	2,160	530	604	436	333	334
Total Non-operating Expenses	3,647	3,463	4,490	2,160	530	604	436	333	334
Total Expenses	\$ 119,569	\$ 124,361	\$ 126,823	\$ 113,783	\$ 100,952	\$ 96,046	\$ 80,852	\$ 76,261	\$ 79,367

Schedule of Expenses by Use %

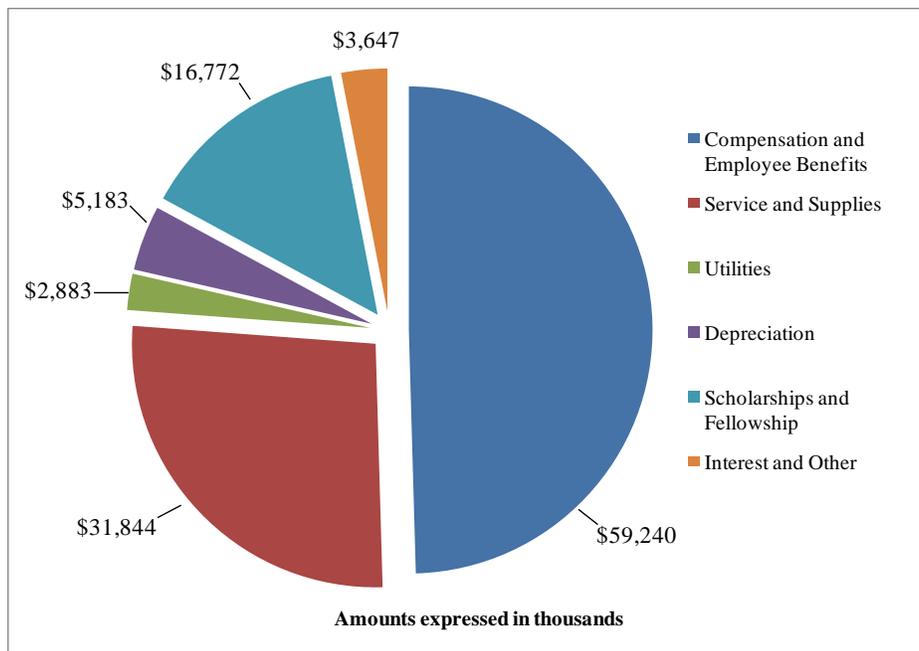
	For the Year Ended June 30,								
	(percent of total expenses)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:									
Operating Expenses:									
Compensation and Employee Benefits	49.54%	49.26%	48.54%	48.17%	52.02%	50.57%	55.51%	60.64%	61.27%
Service and Supplies	26.63%	29.27%	33.31%	34.70%	32.65%	34.82%	27.79%	21.42%	23.80%
Utilities	2.41%	2.82%	2.86%	3.42%	3.91%	3.15%	2.85%	3.11%	2.32%
Depreciation	4.33%	3.47%	2.43%	2.21%	1.73%	2.00%	2.22%	2.36%	2.40%
Scholarships and Fellowship	14.03%	12.39%	9.32%	9.61%	9.16%	8.83%	11.09%	12.04%	9.79%
Total Operating Expenses	96.95%	97.22%	96.46%	98.10%	99.47%	99.37%	99.46%	99.56%	99.58%
Non-Operating Expenses:									
Interest and Capital Asset Related Debt	3.05%	2.78%	3.54%	1.90%	0.53%	0.63%	0.54%	0.44%	0.42%
Total Non-Operating Expenses	3.05%	2.78%	3.54%	1.90%	0.53%	0.63%	0.54%	0.44%	0.42%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: South Carolina State University Financial Statement. Only nine years available.
 Statistical Update 2010 Revenue

Revenue by Source Fiscal Year 2010



Expenses by Use Fiscal Year 2010



Source: The Audited Financial Statements of South Carolina State University for the year ending June 30, 2010.

South Carolina State University
Schedule Of Net Assets And Changes In Net Assets

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total revenues (from schedule of revenues by source)	\$ 127,614	\$ 126,889	\$ 125,449	\$ 112,790	\$ 102,982	\$ 100,504	\$ 85,904	\$ 79,361	\$ 76,173
Total expenses (from schedule of expenses by use and function)	<u>119,569</u>	<u>124,361</u>	<u>126,928</u>	<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	8,045	2,528	(1,479)	(991)	2,030	4,458	4,745	2,892	(4,892)
Net assets, beginning	<u>56,265</u>	<u>53,737</u>	<u>55,111</u>	<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>\$ 64,310</u>	<u>\$ 56,265</u>	<u>\$ 53,632</u>	<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	\$ 61,913	\$ 58,489	\$ 49,632	\$ 50,580	\$ 47,888	\$ 46,481	\$ 41,384	\$ 40,383	\$ 40,750
Restricted-expendable	2,778	2,604	2,676	2,572	2,128	2,248	2,595	2,896	1,957
Restricted-nonexpendable	938	914	980	901	868	783	440	437	438
Unrestricted	<u>(1,319)</u>	<u>(5,742)</u>	<u>344</u>	<u>1,058</u>	<u>5,218</u>	<u>4,560</u>	<u>5,195</u>	<u>1,153</u>	<u>(1,168)</u>
Total	<u>\$ 64,310</u>	<u>\$ 56,265</u>	<u>\$ 53,632</u>	<u>\$ 55,111</u>	<u>\$ 56,102</u>	<u>\$ 54,072</u>	<u>\$ 49,614</u>	<u>\$ 44,869</u>	<u>\$ 41,977</u>

Source: South Carolina State University Audited Financial Statements. Only nine years data available.

Schedule of Ratios of Outstanding Debt

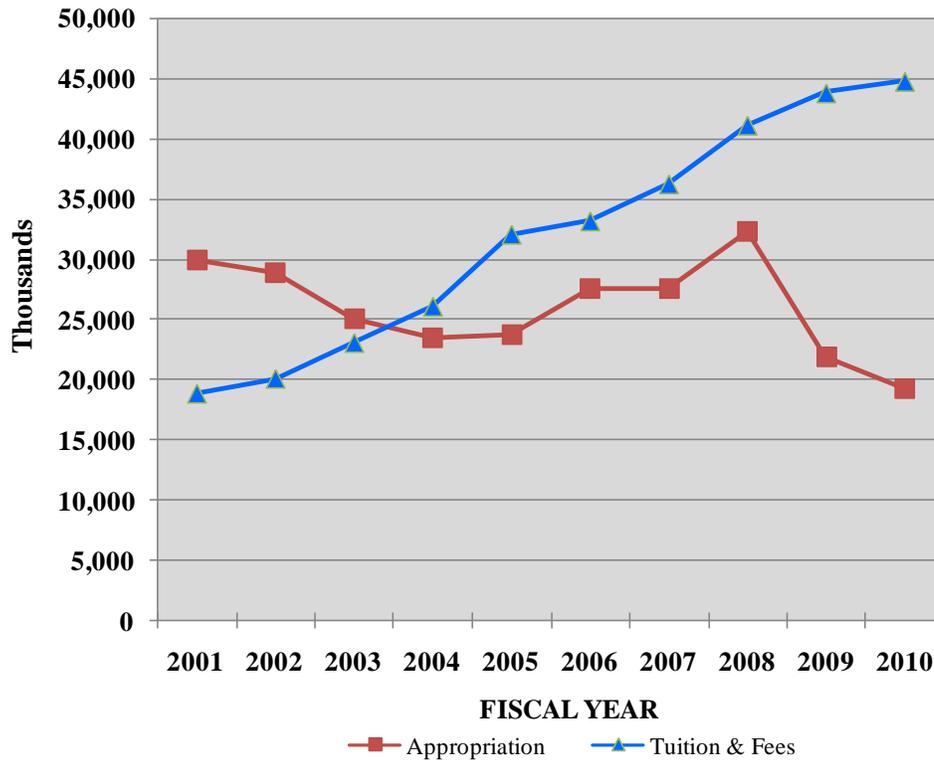
For the Year Ended June 30,										
(amounts expressed in thousands except for outstanding debt per student)										
	2010	2009	2008	2007	2006	2005	2004	2003*	2002*	2001*
Revenue Bonds	\$ 665	\$ 865	\$ 1,055	\$ 1,235	\$ 1,405	\$ 1,570	\$ 4,480	\$ 8,895	\$ 5,280	\$ 5,650
State Institution Bonds	32,530	33,835	35,095	36,305	3,620	3,750	3,880	-	-	-
Notes Payable	45,564	41,603	39,600	38,947	21,623	5,424	-	-	-	163
Capital Lease Obligations	1,103	1,208	1,591	-	-	-	201	130	72	97
Total Outstanding Debt	\$ 79,862	\$ 77,511	\$ 77,341	\$ 76,487	\$ 26,648	\$ 10,744	\$ 8,561	\$ 9,025	\$ 5,352	\$ 5,910
Full-time equivalent students	4,123	4,357	4,644	4,104	4,164	3,976	3,949	3,924	3,845	4,001
Outstanding debt per student	\$ 19,370	\$ 17,790	\$ 16,654	\$ 18,637	\$ 6,400	\$ 2,702	\$ 2,168	\$ 2,300	\$ 1,392	\$ 1,477

Note: Outstanding debt per student calculated using full-time equivalent data for the last ten years.

Source: SC State University Comprehensive Annual Financial Reports, SC State University Office of Institutional Research

* Revenue and State Institution Bond totals were combined during this reporting period.

South Carolina State University State Appropriations and Gross Tuition Fees 2001-2010



Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 2000 through 2010.

UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

S.C. State University in Comparison to Other Colleges and Universities
Last Ten Years

Institution NonResident	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
The Citadel	\$22,545	\$21,031	\$19,291	\$17,487	\$15,918	\$14,518	\$13,410	\$11,538	\$10,402	\$9,426
Coastal Carolina University	\$18,770	\$18,090	\$16,590	\$16,190	\$15,100	\$14,150	\$12,870	\$11,760	\$10,680	\$9,810
College of Charleston	\$21,846	\$20,418	\$18,732	\$16,800	\$15,342	\$14,140	\$13,032	\$10,974	\$8,540	\$7,910
Francis Marion University	\$15,585	\$15,028	\$13,841	\$12,839	\$11,833	\$10,945	\$10,029	\$8,530	\$7,410	\$7,060
Lander University	\$16,560	\$15,840	\$14,616	\$13,538	\$13,608	\$12,034	\$11,050	\$9,648	\$8,520	\$7,776
SC State University	\$16,626	\$15,298	\$14,362	\$14,322	\$13,288	\$12,978	\$10,850	\$8,820	\$7,902	\$7,262
USC Aiken	\$15,632	\$14,896	\$13,922	\$13,250	\$12,270	\$11,264	\$10,224	\$9,084	\$8,264	\$8,084
USC Beaufort	\$15,100	\$14,576	\$13,912	\$12,756	\$12,130	\$11,060	\$10,112	\$7,328	\$5,730	\$5,452
USC Upstate	\$17,284	\$16,684	\$15,752	\$14,656	\$13,474	\$12,304	\$11,086	\$9,640	\$8,760	\$8,416
Winthrop University	\$21,596	\$20,710	\$19,034	\$17,564	\$16,150	\$14,410	\$12,580	\$10,310	\$8,756	\$7,680

Undergraduate Tuition and Fees: NonResident 2010

UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

S.C. State University in Comparison to Other Colleges and Universities
Last Ten Years

Institution Resident	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
The Citadel	\$8,735	\$8,428	\$7,735	\$7,168	\$6,522	\$5,900	\$4,999	\$4,067	\$3,727	\$3,404
Coastal Carolina University	\$8,950	\$8,650	\$7,600	\$7,500	\$6,860	\$6,100	\$5,190	\$4,350	\$3,770	\$3,500
College of Charleston	\$8,988	\$8,400	\$7,778	\$7,234	\$6,668	\$6,202	\$5,770	\$4,858	\$3,780	\$3,630
Francis Marion University	\$7,960	\$7,632	\$7,038	\$6,512	\$5,984	\$5,540	\$5,082	\$4,340	\$3,790	\$3,600
Lander University	\$8,760	\$8,380	\$7,728	\$7,162	\$6,668	\$5,866	\$5,400	\$4,704	\$4,152	\$3,888
SC State University	\$8,462	\$7,806	\$7,318	\$7,278	\$6,480	\$6,170	\$5,570	\$4,898	\$4,240	\$3,724
USC Aiken	\$7,900	\$7,532	\$7,006	\$6,670	\$6,128	\$5,622	\$5,084	\$4,374	\$3,738	\$3,558
USC Beaufort	\$7,250	\$7,000	\$6,250	\$5,724	\$5,214	\$4,670	\$4,208	\$3,080	\$2,410	\$2,200
USC Upstate	\$8,462	\$8,342	\$7,760	\$7,218	\$6,636	\$6,060	\$5,460	\$4,748	\$4,058	\$3,624
Winthrop University	\$11,606	\$11,160	\$10,210	\$9,500	\$8,756	\$7,816	\$6,652	\$5,600	\$4,868	\$4,262

Undergraduate Tuition and Fees: Resident 2010

Source: South Carolina Commission on Higher Education

SOUTH CAROLINA STATE UNIVERSITY
SCHEDULE OF BOND COVERAGE

(amounts in thousands)

Revenue, Stadium, Housing, Notes and Bonds
 Last Ten Years

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Principal	Payment Interest	Requirements Total	Coverage Total
2010	\$3,470	\$3,470	\$940	\$2,205	\$3,145	1.10
2009	3,015	3,015	759	2,048		1.07
2008	2,638	2,638	396	2,097	2,493	1.06
2007	1,785	1,785	562	821	1,383	1.29
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 Seven Fiscal Years

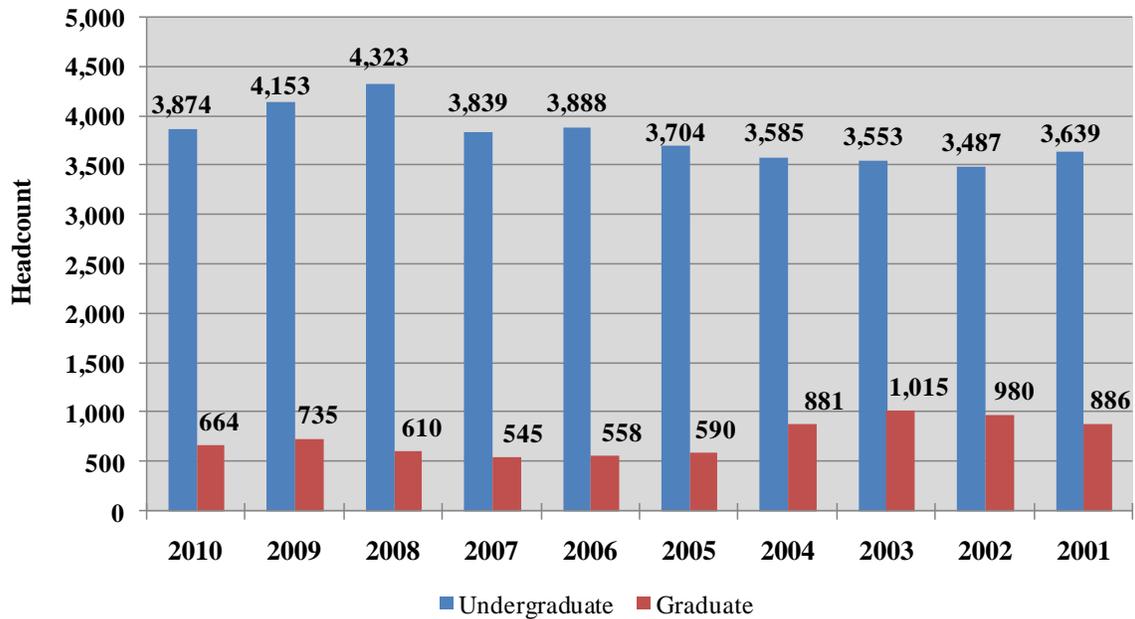
2010	\$2,989	\$2,989	\$1,305	\$1,406	\$2,711	1.10
2009	3,080	3,080	1,260	1,459	2,719	1.13
2008	2,768	2,768	1,210	1,520	2,730	1.01
2007	2,446	2,446	140	1,076	1,216	2.01
2006	1,044	1,044	137	130	267	3.91
2005	879	879	130	144	274	3.21
2004	729	729	120	149	269	2.71

Note: State Institutional Bonds were issued in FY 2003 and 2007

Source: South Carolina State University Financial Statement

South Carolina State University Student Headcount for the Last Ten Years 2001-2010

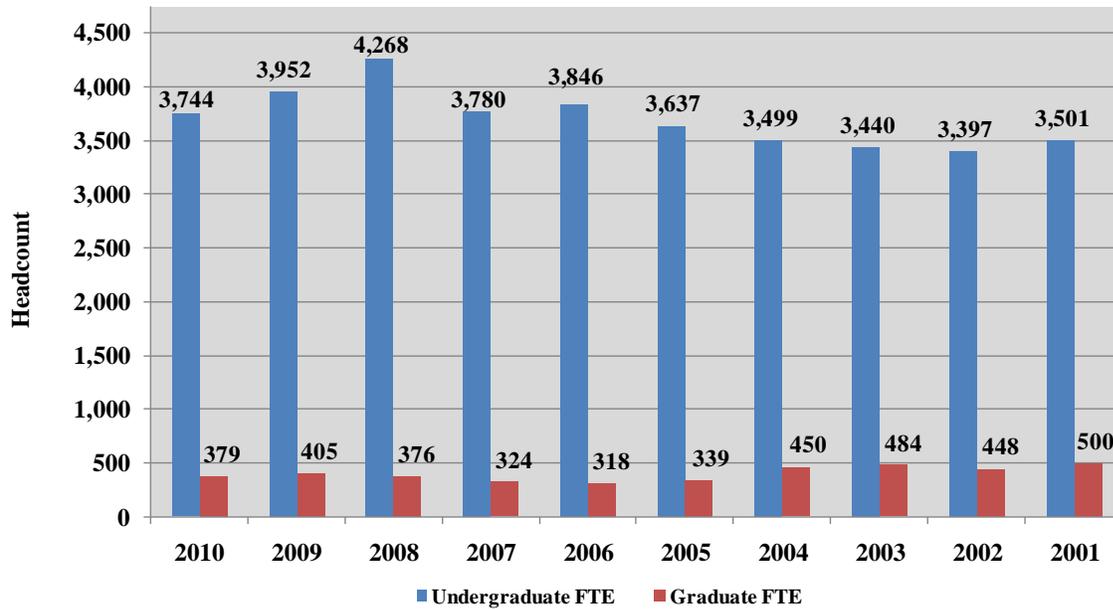
	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Undergraduate	3,874	4,153	4,323	3,839	3,888	3,704	3,585	3,553	3,487	3,639
Graduate	664	735	610	545	558	590	881	1,015	980	886
Total	4,538	4,888	4,933	4,384	4,446	4,294	4,466	4,568	4,467	4,525



Source: South Carolina State University Office of Institutional Research

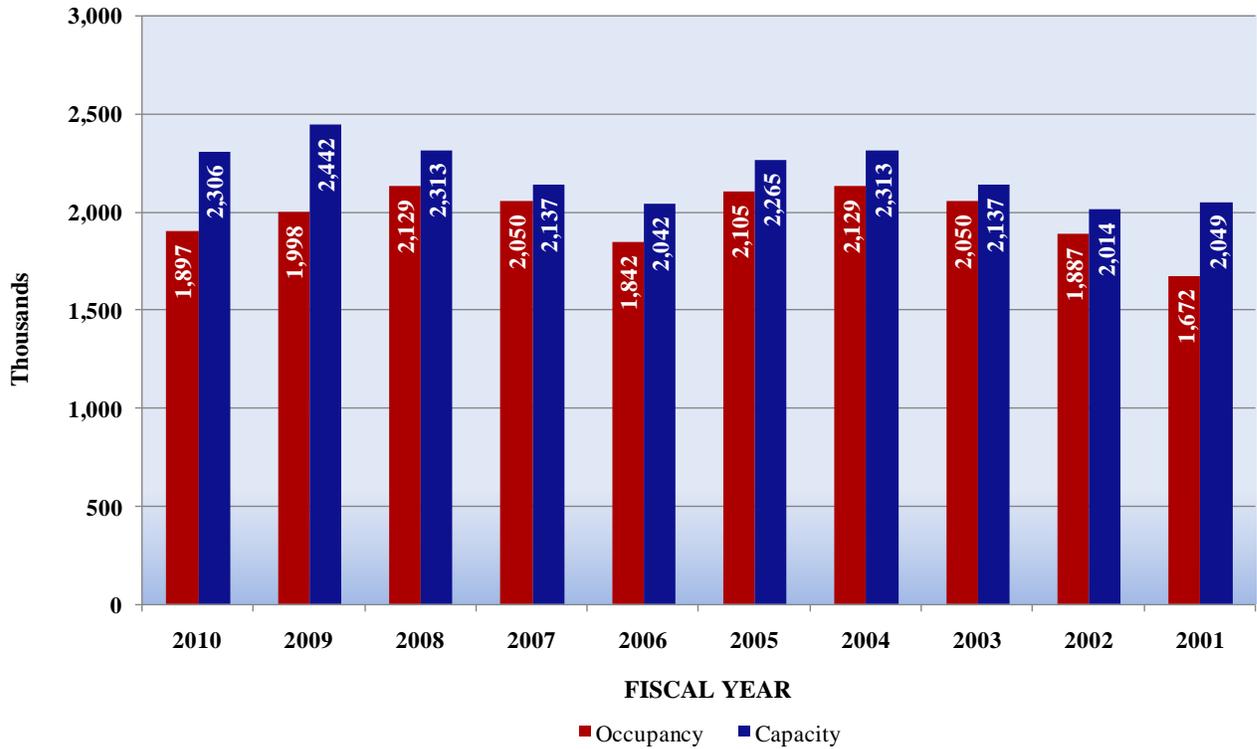
South Carolina State University Student Full-time Equivalent 2001-2010

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Undergraduate FTE	3,744	3,952	4,268	3,780	3,846	3,637	3,499	3,440	3,397	3,501
Graduate FTE	379	405	376	324	318	339	450	484	448	500
Total FTE	4,123	4,357	4,644	4,104	4,164	3,976	3,949	3,924	3,845	4,001



Source: South Carolina State University Office of Institutional Research

South Carolina State University Fall Residence Hall Occupancy/Capacity 2001-2010



<u>Fall</u>	<u>Occupancy</u>	<u>Capacity</u>
2010	1,897	2,306
2009	1,998	2,442
2008	2,129	2,313
2007	2,050	2,137
2006	1,842	2,042
2005	2,105	2,265
2004	2,129	2,313
2003	2,050	2,137
2002	1,887	2,014
2001	1,672	2,049

Source: South Carolina State University Office of Institutional Research

**South Carolina State University
Full-time Teaching Faculty, Rank and Administrative Support Staff
For the Last Ten Years**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Professors	45	39	39	31	36	51	42	50	49	56
Associate Professors	56	62	64	61	47	48	45	57	55	53
Assistant Professors	95	91	86	86	83	83	73	83	84	73
Instructor	33	32	26	25	24	24	26	26	25	29
Lecturer	0	0	0	0	0	3	0	2	0	0
No Academic Rank	0	0	0	0	14	2	0	0	0	0
Administrative Support	587	600	617	607	583	550	616	604	*	*
Total	816	824	832	810	787	761	802	822	213	211

*Data Not Available

Prepared by IR August 2010

Data Sources: SCSU Office of Institutional Research Fact Book 2008-2009 and CHEMIS
Comparison of Full-Time Instructional Faculty by Rank and Administrative Support Staff

South Carolina State University

Academic Subject Areas and Degrees Offered

Fall 2010

UNDERGRADUATE

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

<p>Agribusiness, MS Agribusiness/Entrepreneurship, MBA Counselor Education, Med Early Childhood Education, MAT Education Administration, EDD, EDS Elementary Education, MAT, Med Environmental Science/Studies, PB Human Development Consultant, CERT</p>	<p>Individual and Family Development, MS Nutritional Sciences, MS Rehabilitation Therapeutic Services, Other, PMCERT Rehabilitation Counseling, MA Secondary Education, Med, MAT Special Education, Med Speech Pathology and Audiology, MA Transportation, MS</p>
--	--

<p>BA-Bachelor of Arts BS-Bachelor of Science BSW-Bachelor of Social Work CERT-Certificate EDD-Doctor of Education EDS-Specialist PB-Post Bachelors</p>	<p>MA-Master of Arts MAT-Master of Arts in Teaching MBA-Master of Business Administration MED-Master of Education MS-Master of Science PMCERT-Post Masters Certificate</p>
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SCHEDULE OF CAPITAL ASSET INFORMATION

	For the Fiscal Year (square feet)	
	2009-2010	2008-2009
Academic buildings	523,339	523,339
Administrative and support buildings	101,209	74,980
Auxiliary and independent operation buildings	132,113	139,096
Student housing	436,201	492,149
Dining facilities	26,798	26,798
	1,219,660	1,256,362

Note: Prior fiscal year data not readily available

Source: Facilities Office

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)
2009	4,561,242	145,041,489	\$ 31,799	11.8%
2008	4,479,800	146,337,147	35,419	12.1%
2007	4,407,709	135,849,999	31,013	5.9%
2006	4,321,249	129,864,269	29,515	6.5%
2005	4,246,933	120,220,459	28,285	6.7%
2004	4,194,694	113,602,655	27,090	6.8%
2003	4,142,356	107,202,298	25,880	6.7%
2002	4,102,122	104,045,505	25,370	5.9%
2001	4,060,728	101,467,689	24,988	5.2%
2000	4,023,565	98,269,067	24,424	3.6%
1999	3,974,682	91,715,787	23,075	4.1%

(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 Seven Years Prior^a

(Listed alphabetically)

2008	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
BlueCross BlueShield of South Carolina	Blue Cross/Blue Shield of South Carolina
BMW Manufacturing Co. LLC	Greenville County School District
Food Lion LLC	Michelin North America Inc.
Greenville Hospital System	Springs Industries, Inc.
Michelin North America Inc.	U.S. Department of Defense
Milliken & Company	University of South Carolina
Palmetto Health	UPS-SC District
UPS-SC District	Wal-Mart Stores Inc.
Wal-Mart Stores Inc.	Westinghouse Savannah River

^a The ten largest employers prior to calendar year 2001 are unavailable.

* List of ten largest employers for 2009 is unavailable.

Source: South Carolina Department of Commerce

STATE OF SOUTH CAROLINA

Employment by Industry

Latest Completed Calendar Year and Nine Years Prior

Sources	1998		2008	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Contract construction	109,300	6.1%	117,000	6.3%
Manufacturing:				
Durable goods	162,200	9.1%	135,300	7.3%
Nondurable goods	179,000	10.0%	126,600	6.8%
Transportation, communication, and public utilities	84,800	4.8%	89,100	4.8%
Wholesale and retail trade:				
Wholesale	58,800	3.3%	67,100	3.6%
Retail	231,300	13.0%	229,300	12.3%
Finance, insurance and real estate	82,800	4.6%	97,900	5.3%
Services and mining	565,600	31.7%	669,700	36.0%
Government:				
Federal	30,500	1.7%	28,500	1.5%
State and local	278,800	15.7%	299,800	16.1%
Total wage and salary employment	1,783,100	100%	1,860,300	100%

Note: Current data was not available at time of publication

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