THE COLLEGE OF CHARLESTON
CHARLESTON, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2001

PREPARED BY
THE OFFICE OF THE CONTROLLER

COLLEGE OF CHARLESTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

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College of Charleston

66 George Street
Charleston, South Carolina 29424-0001

November 9, 2001

Leo I. Higdon, Jr.
President
College of Charleston

We are pleased to present to you the Comprehensive Annual Financial Report for the College of Charleston for the year ended June 30, 2001. The audit report appears in the Financial Section and expresses an unqualified opinion on the College's financial statements.

INTRODUCTION

This Comprehensive Annual Financial Report includes the financial statements for the year ended June 30, 2001 in addition to other information useful to the reader of the report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, is assumed by the College of Charleston. It is our belief that, to the best of our knowledge, the data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the College. We have included all disclosures enabling the reader to gain an understanding of the College's financial activities. This Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical.

The Introductory section includes this transmittal letter, a listing of the members of the Board of Trustees, the Administrative Officers, the Business and Finance Officers, an Organizational Chart of the Institution, and the Certificate of Achievement for Excellence in Financial Reporting awarded for Fiscal Year ended June 30, 2000. This section is intended to familiarize the reader with the College, the scope of its operations, the economic conditions affecting the College, the College's financial activities, and significant factors contributing to the present financial environment of the College. The financial section includes the letter of the State Auditor, the Independent Auditor's Report, the Basic Financial Statements and Notes to the Financial Statements. The Financial Statement may be used as a document to make reasonable comparisons of the College's financial position as it related to other public higher educational institutions. The Statistical section includes selected unaudited financial and demographic information. The information contained in the Statistical Section gives an overview of trends regarding the financial affairs of the College.

ENTITY

Founded in 1770, and chartered in 1785, the College is the oldest institution of higher education in South Carolina and the thirteenth oldest in the United States. Today this thriving academic institution offers a world-class liberal arts education for over 11,000 undergraduate and graduate students.

This effort is supported by a faculty of which 85% have earned PHD's or the highest degrees in their fields. This commitment to the liberal arts is supported by a core curriculum which requires study in English, History, Modern and Classical Languages, Math, Science, the Arts and Social Sciences. Over forty majors and more than a dozen inter-disciplinary minors, innovative teaching techniques such as Marketing taught entirely in French, and national and international exchange programs, offer global opportunities for intellectual and personal growth. Additionally, the College provides both credit and non-credit continuing education programs and activities for local residents.

The College is situated in the heart of historic downtown Charleston. Interstate 26 originates just a few blocks from the campus and connects with Interstate 95, a major north-south route. Being situated in the downtown area ensures easy access to the arts as well as entertainment and world class restaurants. Nearby beaches and parks offer even more leisure and diverse activities.

The College of Charleston, as an undergraduate school with the University of Charleston, South Carolina, as its graduate school (herein referred to as the College of Charleston) is considered to be part of the State of South Carolina primary entity. The funds of the College of Charleston are included in the Comprehensive Annual Financial Report of the State of South Carolina. The College of Charleston is a state-supported, coeducational institution of higher education. As a state agency, it is subject to the laws and policies of the State of South Carolina, comprised in a manner presented by Section 59-130-1, Code of Laws of South Carolina 1976, as amended. The Board of Trustees is the governing body for the College. It is responsible for the administration and management of the College.

The College of Charleston is committed to attracting the most promising students both from South Carolina and other states. Consequently, the overall quality of the students remains constant from year to year. The average combined SAT scores of entering freshmen was 1159, far exceeding the state and national averages, with only one other state institution having a higher average. The entering freshmen continue to think highly of the College, with its excellent academic reputation noted as the most popular reason for selecting the College of Charleston. Out-of-state and international students compromise 36% of the student enrollment with 52 states and US possessions and 69 foreign countries represented.

ECONOMIC OUTLOOK

Publicly funded institutions such as the College of Charleston economic outcomes are often tied to national, state and local economics and the activities and growth associated with these entities. The first half of fiscal year 2001 followed the positive forecasts made by economists during the last fiscal year.

However, during the second half of the fiscal year, there was an economic slump which prompted a small budget reduction in the State Appropriation.

By fiscal year end it appeared the slow down in the economy would continue and would require further reductions in the next fiscal year funding levels.

The College continues to position itself to encourage individuals to seek out educational opportunities. The College provides programs that not only attract individuals statewide but also from across the nation. On the state level, the College has been recognized as one of the most efficient public higher education institutions in the state. Along with this recognition comes funding from a legislature that recognizes the efforts of the College. This funding is derived from a performance based model that determines funding to State universities. The model examines indicators such as instructional quality, quality of faculty, graduate achievements, mission focus and entrance requirements.

The College offers opportunities through diversification of academic programs. Through its School of Business and Economics, the College continues course offerings that will benefit students and aid the local economy. An example is Intermodal Transportation, (a concept regarding the movement of cargo using more than one form of transportation) a program designed to offer academic courses and practical exposure to the growing field of transportation to the student. The Center for Entrepreneurship introduces students to the fundamentals of free enterprise and entrepreneurship. It is designed to help individuals who wish to start their own companies by providing assistance in developing business plans, market research and the securing of financing. Seminars, lectures and short courses are offered to members and potential members of the business community. A Master of Science in Accountancy Program is designed for both the practicing professional and those recently completing the undergraduate program in business. Long established as a liberal arts institution, the College continues to offer courses in the humanities, arts, education and the sciences to prepare students as future members of the world community. The economic future of the College will remain bright as a result of diversity in the educational arena.

COLLEGE INITIATIVES

The College admits students who are capable of successfully completing a course of study leading to a degree in their chosen field. As part of this process, its goal is to identify individuals who will excel academically and bring diversity to a dynamic student body.

College enrollments (headcount) increased 5.6% percent between Fall 1996 and Fall 2000 with six year graduation rates remaining stable at 54 percent. The increase is due to improvements in student retention as well as the introduction of new programs.

The following constitute just some of the goals and objectives of the College:

- **To Make the College Affordable**
  With College education being a major cost item in most family budgets, it is important that costs be controlled and that there exist mechanisms to help the student. The control of cost is examined on a regular basis through the budgetary process. This process allows the tracking of expenditures for examination. The College is recognized by the State of South Carolina as one of its most efficient higher education institutions. Financial assistance programs provide for state and private scholarship funding to academically talented students. Federal grants and loan programs are in place to fill gaps in scholarship funding.

- **Providing a Challenging Environment For the Student**
  In an ever-increasing global economy the College offers opportunities for the student to participate in study abroad programs. Bilateral exchange programs are available currently with England, Japan, France, Germany and other countries offering the student the opportunity to interact with the foreign community. On the national level, a program with over 100 participating colleges and universities in the United States offers exposure to new thoughts and innovative concepts.

- **Recruitment of Top-ranking Teacher-Scholars**
  The strength of any institution of higher education rests with its faculty. The ability to attract competent and enthusiastic teachers is necessary to maintain academic excellence.

- **Integration of New Technologies**
  In a changing world it will become ever more important that laboratories, classrooms and libraries are equipped to apply the newest and innovative teaching methodologies.

- **Modernization and Expansion of Facilities**
  Construction of a new library, the establishment of a Center for Excellence in Education (through renovation of existing properties) and the purchase of new classroom facilities will enhance existing facilities.

These efforts will ensure that students who attend the College now and in the future will be provided with the finest in academic facilities, the most accomplished of faculty, and the latest in scientific and computer technology. The College continues to be committed to the present and future of higher education in South Carolina.

FINANCIAL INFORMATION AND BUDGETARY CONTROLS

The management of the College is responsible for the establishment and maintenance of internal control policies and procedures designed to safeguard College assets. As part of this responsibility, the management of the College ensures that its financial statements are prepared in conformity with generally accepted accounting principles, and that reasonable controls are in place to provide the following:

(1) That access to College assets are granted only with the management authorization.

(2) That transactions are executed in accordance with the general or specific authorization of management.

(3) That transactions are recorded on a timely basis.

(4) That such transactions are recorded based on criteria applicable to state guidelines, generally accepted

accounting principles and criteria as designated by the National Association of College and University Business Officers.

The College of Charleston's Office of Internal Audit periodically reviews and issues reports with recommended improvements for the system. This office reports directly to the President of the College. Annual audits are conducted under the authority of the S.C. State Auditor with testing to ensure the adequacy of internal controls and the College's compliance with applicable laws and regulations.

The College prepares, on an annual basis, a budget that provides reasonable estimates of revenues and expenditures. The budgetary process encompasses all operating budgets of the College to include educational and general activities, the operations of auxiliary enterprises, all sponsored program activities, and all capital projects. Its preparation is based on programmatic planning by the College through its executive management, academic offices and department heads. The budgets are then presented to the Board of Trustees for approval.

After approval, the College ensures budgetary control through the application of account classifications that reflect the various functions of the College with detailed itemization of cost activity by function. Using this approach and the necessary reporting of the data, the responsibility for budgetary control rests at the departmental chairperson level with appropriate oversight provided by the executive management of the College. A centralized review system by accounting personnel ensures proper classification of costs. A computerized system of encumbrance reporting ensures in an on-line, real-time processing environment that budgets are not exceeded and that budget variances are approved through executive management.

In addition to this Comprehensive Annual Financial Report, the College prepares annual reports of financial and operational data which are available to the General Assembly of South Carolina and the public for review. These reports provide information that demonstrates the ability of the College to accomplish its mission in a manner that ensures prudent management of public funds.

CURRENT FUND – REVENUES AND EXPENDITURES

As a state institution, the College receives educational and general funding from the State of South Carolina as an annual appropriation. During 2000-2001 state appropriation revenues represented 26% of educational and general operating revenues with student fees comprising 31.9% of all operating revenues. The state appropriation increased 11.1% over 1999-2000 with College and related fees increasing 5.5%. Appropriation increases represent the State's effort to more fully fund higher education and a good rating on performance funding indicators. Auxiliary Enterprise revenues increased by 5.4% during the period. This was attributed to increased student utilization of the services. The following tables present information regarding revenues and expenditures for the year ending June 30, 2001:

TABLE 1
CURRENT FUND REVENUES

(amounts expressed in thousands)	Amount	Percentage of Total	From 2000	Percentage Change From 2000
College and Related Fees Amounts collected from students as part of registration and attendance at the College including course fees, lab fees and debt service allocations	$ 49,893	33.1%	$ 2,579	5.5%
State Appropriations Amounts provided by the Legislature of the State of South Carolina for current operations of the College of Charleston	40,810	27.1%	4,256	11.6%
Federal Grants and Contracts Amounts provided by Federal Government for research, training and student aid activities	33,493	22.2%	258	.8%
State, Local, Private and Non-governmental Gifts, Grants and Contracts Amounts provided for research, training and scholarships	2,471	1.6%	425	20.8%
Endowment Income (1) Amounts provided by endowment held by State Treasurer	7	*	1	16.7%
Auxiliary Enterprises Revenue of enterprises and private gifts providing facilities and services to students, faculty and staff	21,723	14.4%	1,120	5.4%
Other Sources Amounts from educational activities, revenues generated and allocated to student organizations and other miscellaneous items	2,385	1.6%	94	4.1%
Total Current Fund Sources	$ 150,782	100%	$ 8,733	6.1%

*Less than .1%

(1) The College of Charleston Foundation exists as the depository of all other endowment funds of the College.

The estimated value of these funds was $34,269,000 at December 31, 2000.

TABLE 2
CURRENT FUND EXPENDITURES

(amounts expressed in thousands)	Amount	Percentage of Total	Change From 2000	Percentage Change From 2000
Instruction Includes expenditures related to providing all credit and non-credit courses	$ 42,413	28.5%	$ 3,290	8.4%
Research Includes expenditures for activities specifically organized to produce research outcomes	3,569	2.4%	561	18.7%
Academic Support Includes libraries, academic computing, and academic administration in providing support services for instructional and other activities	9,226	6.2%	615	7.1%
Student Services Includes registration services, counseling, student aid administration and other non- instructional services to students	5,239	3.5%	541	11.5%
Institutional Support Includes cost of executive level activities, financial services, advancement services, and other administrative activities	8,615	5.8%	314	3.8%
Operation and Maintenance Includes cost of utilities, building and grounds maintenance and general service activities	12,309	8.3%	1,258	11.4%
Public Service Includes cost associated with non- instructional activities that benefit individuals external to the College	1,192	.8%	(287)	(19.4)%
Student Aid and Scholarships Includes costs of scholarships and grants to students	40,912	27.5%	2,476	6.4%
Auxiliary Enterprises Operations Includes costs of self supporting entities that provide services to students such as Housing, Food Services and other related activities	18,995	12.8%	830	4.6%
Mandatory Transfers Includes transfers to support costs of principal and interest related to long term debt	2,844	1.9%	42	1.5%
Non-Mandatory Transfers Includes transfers made at the discretion of the administration to service institutional objectives related to construction and other related activity	3,429	2.3%	(2,962)	(46.3)%
Total Current Fund Totals for Expenditures and Transfers	$ 148,743	100.0%	$ 6,678	4.7%

AUXILIARY ENTERPRISES

Auxiliary Enterprise Operations of the College are comprised of the Bookstore, Health Services, Food Service, Athletics, Residence Halls, Parking, Debit Card Services and Vending Machines. Pursuant to laws of the State of South Carolina, all auxiliary operations are self supporting. Appropriate administrative overhead is charged to each operation. In addition, mandatory transfers are made from the Residence Halls, Parking and Food Service operations to service debt for bonds issued as "Housing and Auxiliary Facilities Revenue Refunding Bonds" in October 1992. (See Debt Administration section of this report). For the period ending June 30, 2001, the results of Auxiliary Enterprises Operations were as follows:

Activity	Revenues	Expenditures	Transfers for Debt Service
Residence Halls	$ 6,901,429	$ 4,687,053	$ 1,526,709
Food Service	4,283,079	4,263,613	98,388
Health Services	545,900	591,326	
Other Rentals	49,851	61,234	
Vending	124,263	183,125	
Bookstore	4,702,700	4,554,556	
Parking Operations	1,063,805	886,386	71,246
Debit Card Services	14,850	14,850	
Athletics	3,908,099	3,723,728	
Fair Market Value and Leave	129,423	29,546	
Total	$21,723,399	$ 18,995,417	$ 1,696,343

AGENCY FUNDS

Agency Funds account for resources held by the College as custodian or fiscal agent for others. Generally these accounts are provided to students and faculty for outside organizations with projects related to College activities.

FIXED ASSETS

A computerized system for equipment inventories is a major component of asset accountability at the College. This system, as a joint effort between the Procurement Office and the Accounting Department, ensures that equipment is tracked and properly recorded in the College's financial records.

The value of land, buildings and equipment are recorded in the Investment in Plant Fund of the College's Financial Statement. At June 30, 2001, the general fixed assets of the College amounted to $158,329,633. In accordance with accounting practices of educational institutions there is no provision to recognize depreciation.

CASH MANAGEMENT

As a state agency the investment of funds is vested with the State Treasurer of South Carolina. Other than certain approved petty cash funds and two loan funds, all cash is held in a cash management pool administered by the State Treasurer. By law, the College is allowed to earn interest income on revenues derived from the operations on its Residence Halls, Parking and Food Service. Certain debt service funds also managed by the State Treasurer allow interest earnings to the credit of the College. All other interest earnings resulting from the investment of College and related fees are retained by the State Treasurer for credit to the State General Fund.

RISK MANAGEMENT

As a South Carolina state agency, the College is insured through the South Carolina Insurance Reserve Fund which is also a South Carolina state agency. The types of coverages which the College has purchased from the Insurance Reserve Fund are Building and Property (including contents), General Tort Liability, Automobile Liability and Automobile Physical Damage (Comprehensive and Collision). The largest claim that the College submitted was after Hurricane Hugo in September 1989. The College's buildings were fully insured for replacement claim costs. Claims totaling over $2,000,000 were paid to the College by the Insurance Reserve Fund for damaged properties. Hurricane Floyd which threatened the Charleston area in September 1999, skirted the coast causing minimal damage to the campus with no resulting major claims being filed.

INDEPENDENT AUDIT

The College of Charleston, as a state agency, receives audit services through the S.C. State Auditor's Office. In recent years the state auditor has contracted audit services to various independent audit firms. Audits are conducted on an annual basis with the S.C. State Auditor assuming authority and oversight of the audit. The auditor's opinion is unqualified. The fiscal year 2001 audit was conducted by the S.C. Office of the State Auditor.

DEBT ADMINISTRATION

At June 30, 2001, the College had two outstanding bond issues as the result of issuing refunding bonds to defease existing bond debt of the institution. The first issue in the amount of $8,535,000 was issued in August, 1992, to defease facilities improvement bonds. The payment related to this debt is provided by an assessment to the student of a plant improvement fee. At June 30, 2001, the outstanding principal balance on these bonds was $3,680,000. The second issue in the amount of $20,010,00 was issued in October 1992, to defease existing Residence Halls, Cafeteria and Parking Bonds. This revenue bond is paid from the revenues of Residence Halls, Cafeteria and Parking Services. At June 30, 2001 the outstanding principal balance on the bond was $14,375,000.

OTHER INFORMATION

In addition to the regular annual audit of the College, the College is audited annually by the South Carolina State Auditor ensuring compliance with the requirements of the Single Audit Act of 1984 as provided under Federal Circular A-133 for federal grants and contracts. The most recent audit (Fiscal Year 2000) detected no institutional liabilities related to the College's federal programs. Further, the College is audited on a periodic basis by the Division of General Services ensuring compliance with the provisions of the South Carolina Procurement Code.

This Comprehensive Annual Financial Report is designed to present a clear and complete picture of the College's financial affairs, to enhance the information conveyed through the traditional governmental and college and university financial reporting model, and to address comprehensive annual financial report user needs.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its comprehensive annual financial report for the fiscal year ended June 30, 2000. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

We wish to thank the Board of Trustees and the President of the College for their continued support regarding the fiscal management of the College. Likewise, we wish to thank the members of the College community whose cooperation made possible the successful close of the fiscal year.

Our appreciation is also expressed to the South Carolina State Auditor's Office for the timely completion of the audit.

Gary M. McCombs
Senior Vice President for Business Affairs

Priscilla D. Burbage
Associate Vice President for Business Affairs

Ernesto M. Torres, CGFO
Chief Accountant

COLLEGE OF CHARLESTON
BOARD OF TRUSTEES
2000 – 2001

COLLEGE OF CHARLESTON
ADMINISTRATIVE OFFICERS
2000 – 2001

Alexander M. Sanders, Jr.
President
(Retired)

Andrew L. Abrams
Provost and Senior Vice President
Academic Affairs, Institutional Research and Planning

Frederick W. Daniels, III
Senior Vice President
Executive Administration and Institutional Resources

Gary M. McCombs
Senior Vice President
Business Affairs

George E. Haborak
Senior Vice President
Student Affairs

Sue Sommer-Kresse
Senior Vice President
Institutional Advancement

COLLEGE OF CHARLESTON
BUSINESS AND FINANCE OFFICERS
2000 – 2001

Gary M. McCombs
Senior Vice President for Business Affairs

Priscilla D. Burbage
Associate Vice President for Business Affairs

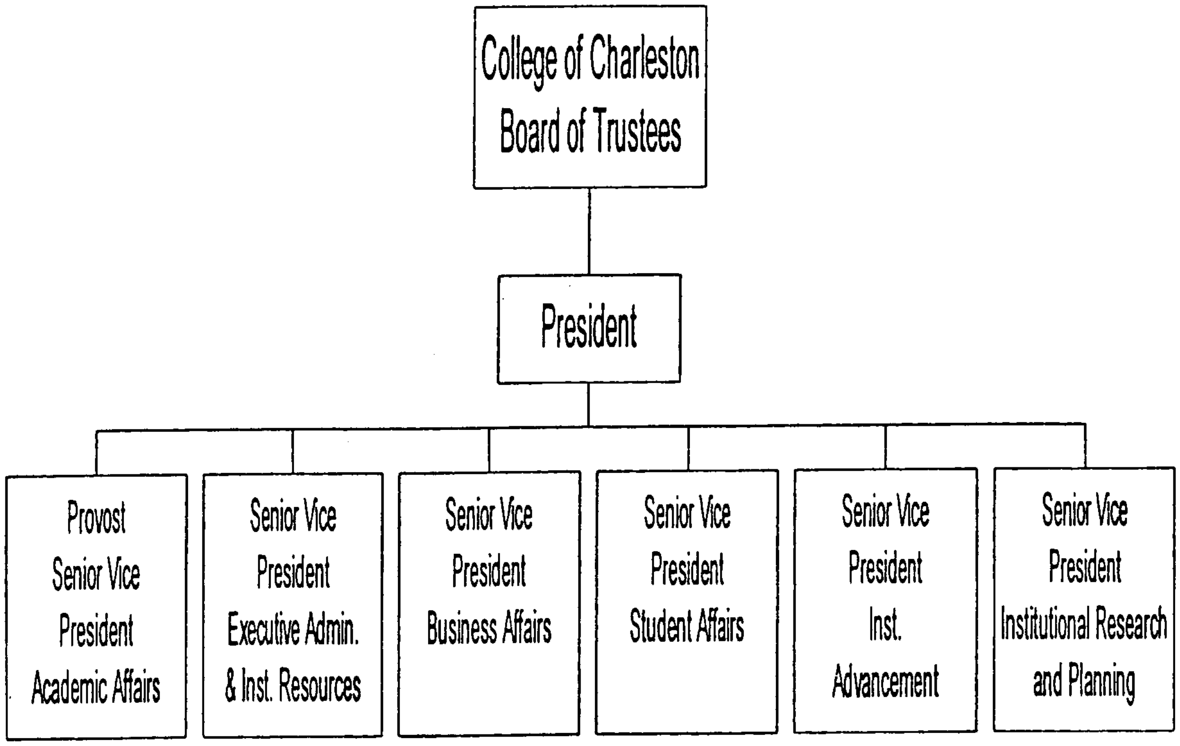
Ernesto M. Torres, C.G.F.O.
Chief Accountant

Samuel B. Jones
Director of Budgeting and Payroll Services

Anne Brownyard
Director of Business Services

College of Charleston

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

College of Charleston, South Carolina

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

State of South Carolina

Office of the State Auditor
1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT AUDITOR'S REPORT

November 9, 2001

The Honorable Jim Hodges, Governor
and
Members of the Board of Trustees
College of Charleston
Charleston, South Carolina

We have audited the accompanying basic financial statements of the College of Charleston (the College) as of June 30, 2001, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the College as of June 30, 2000, and for the year then ended were audited by other auditors whose report dated October 12, 2000, on those statements included an explanatory paragraph that described the accounting changes regarding functional category classification of certain expenditures, the revenue classification for amounts received from private gifts and nongovernmental sources, and the capitalization of internal use computer software costs discussed in Note 23 to the basic financial statements.

We also audited the adjustments described in Note 25 that were applied to restate the 2000 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and auditing 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the accompanying basic financial statements of the College are intended to present the financial position, changes in fund balances, and current funds revenues, expenditures, and other changes of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of the College, an institution of the State of South Carolina. These financial statements do not include other agencies, institutions, departments, or component units of the State of South Carolina primary government.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the College at June 30, 2001, and the changes in fund balances and current funds revenues, expenditures, and other changes 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 prepared our report dated November 9, 2001, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 25, the College changed its method of accounting for and reporting of nonexchange transactions to comply with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* effective for periods beginning after June 15, 2000. Under this standard, the College changed its timing for recognition for revenue, expenditures, and related assets, liabilities, and fund balances arising from voluntary, imposed, and government-mandated nonexchange transactions, primarily private donations and certain grants. Adjustments resulting from changes to comply with this Statement are required to be treated as adjustments of prior periods.

As discussed in Note 25, effective July 1, 1999, the College implemented the National Association of College and University Business Officers (NACUBO) Advisory Report 99-5, *Accounting and Reporting for Student Clubs and Groups*. However, the College did not disclose the implementation of this advisory report in its 2000 report. Management discovered certain errors in its implementation of the advisory report during the current year. The changes have been accounted for as corrections of errors.

These financial statements exclude the related entities described in Note 19 from the reporting entity because the College is not financially accountable for these entities. As part of its affiliated organizations project, the GASB is currently studying other circumstances under which related entities that do not meet the financial accountability criteria would be included in the financial reporting entity.

The information presented in the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on it.

Tom Wagner

Thomas L. Wagner, Jr., CPA
State Auditor

COLLEGE OF CHARLESTON BALANCE SHEET

June 30, 2001
with totals as of June 30, 2000

	CURRENT FUNDS			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds
ASSETS				
Cash and cash equivalents	$ 14,892,160	$	$ 193,367	$ 5,652,007
Accounts receivable, net of provision for doubtful accounts $150,113	3,236,080			
Grants and contracts receivable		585,122		
Private gifts receivable		615,573		
Interest/investment and endowment income receivable	49,309	1,111	163	
Prepaid items	845,500			
Inventories	2,121,655			
Student loans receivable			2,238,469	
Capital improvement bond proceeds receivable				
Due from Unrestricted Current Funds				
Due from Restricted Current Funds	498,826			
Land and improvements				
Buildings and improvements				
Equipment				
Library books and materials				
Computer software				
Less accumulated amortization				
Construction in progress				
TOTAL ASSETS	$ 21,643,530	$ 1,201,806	$ 2,431,999	$ 5,652,007
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	$ 3,124,339	$ 153,935	$ 2,192	$
Accrued payroll and related liabilities	3,271,943	56,488		
Retainages payable				
Deferred and unearned student revenues	2,125,152			
Student deposits	1,117,125			
Compensated absences payable and related liabilities	2,431,854			
Due to Unrestricted Current Funds		498,826		
Due to Agency Funds	89,475			
Deposits held for others				
Accrued interest payable				
Obligation under capital lease				
Bonds payable				
Fund balances	9,483,642	492,557	2,429,807	5,652,007
Net investment in plant				
TOTAL LIABILITIES AND FUND BALANCES	$ 21,643,530	$ 1,201,806	$ 2,431,999	$ 5,652,007

The accompanying notes are an integral part of this financial statement.

PLANT FUNDS				TOTALS (Memorandum Only)	
Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	2001	2000 Restated
$ 20,086,042	$ 1,111,648	$	$ 95,038	$ 42,030,262	$ 36,133,932
			59,151	3,295,231	2,220,137
				585,122	642,192
6,174,565				6,790,138	6,259,565
138,366				188,949	205,576
				845,500	866,341
				2,121,655	1,983,766
				2,238,469	2,081,303
34,822,627				34,822,627	27,824,127
			89,475	89,475	82,240
				498,826	307,039
		22,546,685		22,546,685	21,893,596
		106,502,780		106,502,780	107,965,360
		6,959,066		6,959,066	6,780,203
		18,745,763		18,745,763	17,245,383
		557,713		557,713	224,246
		(100,621)		(100,621)	(22,425)
		3,118,247		3,118,247	1,667,978
$ 61,221,600	$ 1,111,648	$ 158,329,633	$ 243,664	$ 251,835,887	$ 234,360,559
$ 382,776	$ 1,363	$	$ 16,635	$ 3,681,240	$ 3,816,979
			17,188	3,345,619	3,205,723
141,831				141,831	194,956
				2,125,152	2,142,379
				1,117,125	959,946
				2,431,854	2,371,561
				498,826	307,039
				89,475	82,240
			209,841	209,841	165,895
	310,587			310,587	333,730
					56,156
		18,055,000		18,055,000	19,385,000
60,696,993	799,698			79,554,704	65,025,770
		140,274,633		140,274,633	136,313,185
$ 61,221,600	$ 1,111,648	$ 158,329,633	$ 243,664	$ 251,835,887	$ 234,360,559

COLLEGE OF CHARLESTON
STATEMENT OF CHANGES IN FUND BALANCES

For the year ended June 30, 2001
with totals for the year ended June 30, 2000

	CURRENT FUNDS		
	Unrestricted	Restricted	Loan Funds
REVENUES AND OTHER ADDITIONS			
Unrestricted current funds revenues	$ 86,629,600	$	$
Auxiliary enterprises revenues	21,723,399		
State appropriations - restricted		6,945,329	
U.S. Government advances			32,372
Federal grants and contracts-restricted		33,399,906	
State grants and contracts-restricted		1,151,611	
Local grants and contracts-restricted		4,000	
Nongovernmental grants and contracts-restricted		435,811	
Private gifts - restricted		1,230,614	
Interest and other on loans receivable			36,473
Reimbursements for cancelled loans			70,950
Interest/investment income-restricted			759
Endowment income (loss) - restricted		6,823	
Retirement of Indebtedness (including $56,156 capital lease payments charged to current funds expenditures)			
Proceeds from sale of property			
Capital improvement bond proceeds			
Expended for plant facilities (including $2,295,435 charged to current funds expenditures)			
Capital lease cancellation credit			
TOTAL REVENUES AND OTHER ADDITIONS	108,352,999	43,174,094	140,554
EXPENDITURES AND OTHER DEDUCTIONS			
Educational and general expenditures	81,045,577	42,429,324	
Auxiliary enterprises expenditures	18,995,417		
Indirect cost remitted to the State General Fund	21,881		
Indirect cost recovered		402,672	
Loans assigned, cancelled, written off			114,609
Administration and collection cost			23,540
Expended for capital projects (including non-capitalized expenditures of $862,451)			
Disposals of property and equipment			
Retirement of indebtedness-bonds			
Amortization of computer software costs			
Interest and other charges on indebtedness			
Refund of prior year private gift			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	100,062,875	42,831,996	138,149
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS)			
Mandatory Transfers:			
Principal and interest	(2,832,950)		
Loan fund matching contribution	(10,791)		10,791
Nonmandatory Transfers:			
Unrestricted Current Funds to Retirement of Indebtedness Plant Funds	(2,464,134)		
Unrestricted Current Funds to Unexpended Plant Funds	(942,700)		
Retirement of Indebtedness Plant Funds to Unexpended Plant Funds			
Unexpended Plant Funds to Quasi Endowment Funds			
TOTAL TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS)	(6,250,575)		10,791
NET INCREASE (DECREASE) IN FUND BALANCES	2,039,549	342,098	13,196
FUND BALANCES, BEGINNING OF YEAR	7,526,333	150,459	2,416,611
PRIOR PERIOD ADJUSTMENTS	(82,240)		
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	7,444,093	150,459	2,416,611
FUND BALANCES, END OF YEAR	$ 9,483,642	$ 492,557	$ 2,429,807

The accompanying notes are an integral part of this financial statement.

Endowment and Similar Funds	PLANT FUNDS Unexpended	Retirement of Indebtedness	Investment in Plant	Totals (Memorandum Only) 2001	2000 Restated
$	$	$	$	$ 86,629,600	$ 81,588,093
				21,723,399	20,602,731
				6,945,329	4,943,305
				32,372	29,149
		13,462		33,413,368	33,187,759
				1,151,611	734,681
				4,000	9,600
				435,811	307,064
	22,000			1,252,614	7,027,388
				36,473	45,581
				70,950	89,383
	550,647	497,789		1,049,195	524,682
3,244				10,067	5,961
			1,386,156	1,386,156	1,305,811
	5,550,000			5,550,000	
	7,000,000			7,000,000	15,000,000
			6,769,816	6,769,816	8,627,153
					22,277
3,244	13,122,647	511,251	8,155,972	173,460,761	174,050,618
				123,474,901	114,707,709
				18,995,417	18,164,730
				21,881	17,321
				402,672	289,918
				114,609	123,700
				23,540	18,384
	5,336,832			5,336,832	6,747,078
			4,116,328	4,116,328	761,214
		1,330,000		1,330,000	1,250,000
			78,196	78,196	22,425
		1,076,003		1,076,003	1,141,411
					95,037
	5,336,832	2,406,003	4,194,524	154,970,379	143,338,927
		2,832,950			
		2,464,134			
	942,700				
	3,357,233	(3,357,233)			
5,550,000	(5,550,000)				
5,550,000	(1,250,067)	1,939,851			
5,553,244	6,535,748	45,099	3,961,448	18,490,382	30,711,691
98,763	54,161,245	754,599	136,313,185	201,421,195	170,715,367
				(82,240)	(88,103)
98,763	54,161,245	754,599	136,313,185	201,338,955	170,627,264
$ 5,652,007	$ 60,696,993	$ 799,698	$ 140,274,633	$ 219,829,337	$ 201,338,955

COLLEGE OF CHARLESTON
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

For the year ended June 30, 2001
with totals for the year ended June 30, 2000

REVENUES:
Tuition and related fees
State appropriations
Federal grants and contracts
State grants and contracts
Local grants and contracts
Nongovernmental grants and contracts - restricted
Private gifts
Private gifts for auxiliaries
Educational activities revenues
Student organizations generated revenues
Auxiliary enterprises interest/investment income
Sales and services of auxiliary enterprises
Endowment income
Other sources
TOTAL CURRENT REVENUES

EXPENDITURES AND MANDATORY TRANSFERS:
Educational and general:
Instruction
Research
Public service
Academic support-library
Academic support-other
Student services
Institutional support
Operation and maintenance-physical plant
Student aid and scholarships
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES

Mandatory transfers for:
Principal and interest
Loan fund matching contribution
TOTAL EDUCATIONAL AND GENERAL

Auxiliary enterprises:
Expenditures
Mandatory transfers for principal and interest
TOTAL AUXILIARY ENTERPRISES

TOTAL EXPENDITURES AND MANDATORY TRANSFERS

EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS

OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):
Nonmandatory transfers to Unexpended Plant Funds
Nonmandatory tranfers to Retirement of Indebtedness Plant Funds
Indirect cost recoveries remitted to the State General Fund
Excess of restricted receipts over (under) transfers to revenues
NET INCREASE (DECREASE) IN FUND BALANCES

The accompanying notes are an integral part of this financial statement.

2001 Unrestricted	2001 Restricted	2001 Totals	Totals 2000 Restated
$ 49,892,440	$	$ 49,892,440	$ 47,313,630
33,864,447	6,945,329	40,809,776	36,554,775
482,487	33,010,809	33,493,296	33,235,137
	641,016	641,016	663,089
	1,574	1,574	8,991
	435,811	435,811	294,539
5,000	1,387,962	1,392,962	1,079,044
225,000		225,000	200,000
701,838		701,838	533,466
465,346		465,346	449,777
369,730		369,730	249,133
21,128,669		21,128,669	20,153,598
	6,823	6,823	6,241
1,218,042		1,218,042	1,307,934
108,352,999	42,429,324	150,782,323	142,049,354
41,287,979	1,124,989	42,412,968	39,123,082
1,090,128	2,478,721	3,568,849	3,008,251
700,048	492,341	1,192,389	1,479,553
4,219,229		4,219,229	3,664,619
5,006,545		5,006,545	4,946,277
5,239,412		5,239,412	4,697,883
8,614,664		8,614,664	8,301,313
12,309,369		12,309,369	11,050,629
2,578,203	38,333,273	40,911,476	38,436,102
81,045,577	42,429,324	123,474,901	114,707,709
1,136,607		1,136,607	1,095,631
10,791		10,791	9,716
82,192,975	42,429,324	124,622,299	115,813,056
18,995,417		18,995,417	18,164,730
1,696,343		1,696,343	1,696,613
20,691,760		20,691,760	19,861,343
102,884,735	42,429,324	145,314,059	135,674,399
5,468,264		5,468,264	6,374,955
(2,464,134)		(2,464,134)	(6,373,641)
(942,700)		(942,700)	
(21,881)		(21,881)	(17,321)
	342,098	342,098	(17,697)
$ 2,039,549	$ 342,098	$ 2,381,647	$ (33,704)

Audits of Colleges and Universities, as amended by the AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities,* as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1999, and as modified by all applicable GASB pronouncements. A summary of significant accounting policies follows.

Reporting Entity

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

A primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) <u>and</u> (1) it is able to impose its will on that organization <u>or</u> (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary government or entity that holds one or more of the following powers:

(1) Determines its budget without another government's having the authority to approve and modify that budget.
(2) Levies taxes or sets rates or charges without approval by another government.
(3) Issues bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, the College has determined it is not a component of another entity and it has no component units. This financial reporting entity is the College, a primary entity.

Primary Entity

The College is a State-supported, coeducational institution of higher education. The College is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the College. The College was established as an institution of higher education by Section 59-101-20 of the Code of Laws of South Carolina. The College is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints most of their board members and budgets a significant portion of their funds.

The Board of Trustees, whose members are appointed by the Governor with the advice and consent of the Senate, is the governing body of the College. The Board administers, has jurisdiction over, and is responsible for the management of the College.

The accompanying financial statements present the financial position, changes in fund balances, and current funds revenues, expenditures, and other changes of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the College.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by governmental educational institutions, no provision is made for depreciation of physical plant assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are reported in the accounting period when earned and become measurable and expenditures when materials or services are received or when incurred, if measurable. Unrestricted state appropriations are recognized as revenue when received or made available. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. The statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenue and expenses.

Transfers are amounts moved between fund groups/subfund groups to be used for the objectives of the recipient fund. Mandatory transfers are limited to those arising out of binding legal arrangements related to financing the educational plant (e.g., construction, repairs, debt amortization, and interest); agreements to match gifts and grants; or required matching of certain federal loan programs. All other interfund transfers are reported as non-mandatory transfers. Non-mandatory transfers are made at the discretion of the governing body for various purposes. They may include the retransfer of unexpended resources to the fund which initially provided the monies.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of alterations and renovations and purchases and normal replacement of movable equipment, library materials and books and computer software developed or obtained for internal use; (2) mandatory transfers in the case of required provisions; and (3) transfers of a non-mandatory nature in all other cases.

Fund Accounting – College Funds

Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed on sources outside the institution or in accordance with directions issued by the governing board. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups and subgroups. Accordingly, all financial transactions have been recorded and reported by fund group and subgroup.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the governing board retains full control to use in achieving any of its institutional purposes.

All realized and unrealized gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owns such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment funds which is accounted for in the fund to which it is restricted. In fiscal year 2001 there is no quasi-endowment income. Unexpended income on endowment fund assets remain in the fund in which the income was initially reported. All other unrestricted revenues are accounted for in unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

The *Current Funds* group includes those economic resources which are expendable for operating purposes to perform the primary missions of the College, which are instruction, research, and public service. For a more meaningful disclosure, the current funds are divided into two subgroups: unrestricted and restricted. Separate accounts are maintained for auxiliary enterprises operations. Unrestricted current funds include but are not limited to all funds received for which no stipulation was made by the donor or other external agency as to the purposes for which they should be expended. Current funds are considered unrestricted unless the restrictions imposed by the donor or other external agency are so specific that they substantially reduce the College's flexibility in their utilization. Restricted current funds are those available for financing operations but which are limited by donors and other external agencies to specific purposes, programs, departments, or schools. Current funds revenues include (1) all unrestricted gifts, grants and other resources earned during the reporting period and (2) restricted resources to the extent that such funds were expended. Current funds revenues do not include resources that are restricted by external persons or agencies to transactions or purposes accounted for in other than current funds. Additional policy disclosures regarding revenue recognition are described elsewhere in this note under Basis of Accounting, Gifts and Other Nonexchange Transactions, and Deferred and Unearned Student Revenues and in Note 18 – Gifts and Pledges. Unrestricted resources other than gifts and other nonexchange transactions are recorded as revenue when earned. Receipts that are restricted are recorded initially as additions to restricted fund balances and recognized as revenue to the extent that such funds are expended for the restricted purposes during the current fiscal year and met all related requirements

Current Funds Auxiliary Enterprises are essentially self-supporting business entities and activities that exist for the purpose of furnishing goods and services primarily to students, faculty, staff, or departments and for which charges are made that directly relate to such goods and services. Revenue and expenditures are reported separately as unrestricted current funds. Assets, liabilities, and fund balances are combined with other unrestricted current funds for reporting purposes; however, each separate enterprise maintains its own assets, liabilities, and fund balance. Auxiliary enterprises activities include athletics, housing, bookstore, food services, student health services, parking, rentals, and vending machine operations. The portion of the College's unrestricted current funds balance related to its auxiliary enterprises was $6,251,997 at June 30, 2001.

The *Loan Funds* group accounts for the resources available for loans to students from donors, government agencies, and mandatory institutional matching grants. Loan funds have been divided into those provided by the federal government and those provided by other sources. Expenditures include costs of loan collections, loan cancellations, and administrative costs under the federal loan programs. To the extent that current funds are used to meet required provisions for grant matching, they are accounted for as mandatory transfers.

The *Endowment and Similar Funds* group includes endowment funds and funds functioning as endowments (quasi-endowment). Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. While quasi-endowment funds have been established by the governing board for the same purposes as permanent endowment funds, subject to any restrictions imposed by the donor of the resources, any unrestricted portion of the principal as well as income may be expended at the discretion of the governing board. The term "principal" is construed to include the original value of an endowment and subsequent additions and realized gains/losses attributable to investment transactions. Other endowments are held by the College of Charleston Foundation for the benefit of the

College. These endowments include term, quasi-endowment, and pure endowment funds and are subject to the restrictions imposed by various donors. The College of Charleston Foundation is reported herein (Note 19) as a related party.

The *Plant Funds* group consists of three self-balancing subgroups: (1) unexpended plant funds, (2) funds for retirement of indebtedness, and (3) investment in plant. The unexpended plant funds subgroup accounts for the resources derived from various sources to finance the acquisition of long-life assets and to provide for routine renewal and replacement of existing plant assets and debt related to unexpended resources that are included in this subgroup. Receipts legally designated solely for plant improvements or renewals and replacements are recorded directly in the College's plant funds as revenue. The retirement of indebtedness subgroup accounts for resources that are specifically assessed and/or specifically accumulated for interest and principal payments, debt service reserve funds, other debt service charges related to plant fund indebtedness (except for capital lease obligations), and federal interest subsidies. The investment in plant subgroup accounts for all long-life assets in the service of the College, all construction in progress, and related debt for funds borrowed and expended for the acquisition of plant assets included in this fund subgroup. Net investment in plant represents the excess of the carrying value of plant assets over the related liabilities.

The *Agency Funds* group accounts for the assets held on behalf of others in the capacity of custodian or fiscal agent; consequently, transactions relating to agency funds do not affect the operating statements of the College. They include the accounts of students, related student clubs and professional organizations, and other groups directly associated with the College.

Use of Estimates

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

Indirect Cost Recoveries

The College records restricted current funds revenue for governmental grants and contracts in amounts equal to direct costs incurred. The College reports as unrestricted revenue recoveries of indirect costs applicable to sponsored programs at negotiated fixed rates for each year. The recoveries are also recorded as additions and deductions of restricted current funds. Indirect cost recoveries must be remitted to the State General Fund except those received under research and student aid grants which may be retained by the College. Also, after January, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted from the requirement to remit recoveries to the State General Fund. For fiscal year 2001, the College remitted $21,881 of indirect cost to the State General Fund and retained $ 402,672 in indirect cost recoveries.

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days of sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The College calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments and is recorded in unrestricted current funds. The net change in the liability is recorded in the current year in the applicable current funds functional expenditure categories.

Investment in Plant

Physical plant assets and equipment, except for those assets acquired prior to July 1, 1970 or under capital leases, are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Plant assets and equipment acquired prior to July 1, 1970 are stated at historical cost when determinable or at estimated historical cost. Equipment additions purchased through installment purchase contracts are capitalized in the investment in plant funds subgroup in the year of acquisition at their total cost, excluding interest charges. Equipment under capital leases is stated at the lower of the present value of minimum lease payments, including the down payment, at the beginning of the lease term or fair value at the inception of the lease. Payments of principal, interest and other costs on such contracts are recorded in the applicable educational and general expenditure categories of unrestricted current funds as the installments are paid.

Infrastructure assets include streets, sidewalks, parking lots, drainage systems, lighting systems, utility systems, and similar assets that are immovable and of value only to the College which reports these assets as land improvements and values them at cost.

Construction expenditures are recorded at cost in the unexpended plant funds when incurred and simultaneously capitalized at total expenditures less noncapitalized costs as construction in progress in the investment in plant funds subgroup. Upon completion of a project, the costs are capitalized in the appropriate asset accounts in investment in plant.

Library books, periodicals, microfilms, and other library materials on computer data storage devices are recorded at cost when purchased or fair market value at the date of donation.

Capitalized computer software costs include the external direct costs of materials and services consumed in developing or obtaining internal-use computer software; payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project; interest costs incurred when developing computer software; and costs to develop or obtain software that allows for access or conversion of old data by new systems. These costs are incurred during the application development stage. The costs of computer software developed or obtained for internal use are amortized on a straight-line basis over an estimated useful life of five years.

Current funds expenditures for acquisition of capital assets are simultaneously recorded in both the current funds expenditure accounts of the various operating departments and in the investment in plant funds subgroup.

The College capitalizes major additions and renovations to plant assets; qualifying equipment and software with a unit value in excess of $5,000 and a useful life in excess of one year; and all library books and materials regardless of cost.

When plant assets and equipment are sold, retired, or otherwise disposed of, the carrying value at cost, estimated historical cost, or fair market value at date of gift, where applicable, is removed from the investment in plant subgroup. Library books and materials are disposed of when they no longer serve the needs of the College at amounts based on the average cost at the beginning of each fiscal year of similar library books and materials. When capitalized internal use software is retired, the unamortized balance is removed. In accordance with practices followed by governmental educational institutions, depreciation on physical plant assets and equipment is not recorded.

Capitalized Interest

The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects. Therefore asset values in the investment in plant subgroup do include such interest costs. There was no capitalized interest for the current fiscal year.

Information Technology Costs

Noncapitalized information technology (IT) costs related to the College's mission of instruction, research and public service are budgeted and reported in the academic support functional expenditure category. All other noncapitalized IT costs are budgeted and the related costs are reported in the institutional support functional expenditure category.

Capitalized IT costs are reported in the applicable functional expenditure categories in the unrestricted current funds.

Deferred and Unearned Student Revenues

In unrestricted current funds, deferred and unearned revenues consist of receipts collected in advance which have not been earned. These revenues include primarily student tuition and fees and room and board collected in advance for the summer and fall academic terms. Revenues are recognized in the period in which the sessions are predominantly conducted and services are provided or the semester for which the fee is applicable and earned.

Student Deposits

Student deposits represent dormitory room deposits, security deposits for possible room damage and key loss, other deposits, and student fee refunds. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of agreement.

Fee Waivers

Student tuition and fees revenues include all such amounts assessed against students (net of refunds) for educational purposes even in those cases in which there is no intention of collection. These revenue amounts are offset by equal expenditures. The amounts of such remissions or waivers are recorded and classified as student aid and scholarships expenditures or as staff benefits in the applicable current funds functional expenditure categories. State law provides that educational fee waivers may be offered to no more than two percent of the undergraduate student body.

Educational Activities Revenue

Revenues from sales and services of educational 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 College receives such revenues primarily from the operation of the Early Childhood Development Center and the Lightsey Conference Center.

Gifts and Other Nonexchange Transactions

Nonexchange transactions involving financial or capital resources are transactions in which the College either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The types of nonexchange transactions the College engages in include "voluntary nonexchange transactions" (certain grants and donations), "imposed nonexchange revenues" (fines and penalties) and "government-mandated nonexchange transactions".

Voluntary nonexchange transactions usually involve eligibility requirements that must be met before transactions are recognized. The eligibility requirements can include one or more of the following:

(1) The recipient has the characteristics specified by the provider.
(2) The recipient has met the time requirements specified by the provider (i.e., the period when the resources are required to be used (e.g., disbursed or consumed) or the period when use is first permitted has begun or the resources are being maintained intact, as specified by the enabling legislation or provider).
(3) The provider offers resources on a reimbursement basis and the recipient has incurred allowable costs under the applicable program.
(4) The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Promises of cash or other assets from nongovernmental entities are recognized when all eligibility requirements are met, provided the promise to give is verifiable and the resources are measurable and probable of collection.

Gifts are a type of nonexchange transaction. Gifts include resources donated to the College for unrestricted or restricted institutional purposes. Unrestricted gifts are recognized as revenue in unrestricted current funds when all applicable eligibility requirements have been met. Restricted current funds gifts are recognized as additions to fund balances in the statement of changes in fund balances when the gift resources are received or promised (i.e., the earlier of when the donor announces the gift or notifies the College of the gift and if the promise is verifiable and the resources are measurable and probable of collection or of when the

College receives the monies). Restricted current funds gifts are recognized as revenue on the statement of current funds to the extent that such funds are expended for the restricted purposes during the current year and met all eligibility requirements. Other restricted gifts are recognized as additions in the applicable fund group/subgroup appropriate to the restricted purpose for which the resources were provided when received or promised (i.e., the earlier of when the donor announces the gift or notifies the College of the gift and if the promise is verifiable and the resources are measurable and probable of collection or of when the College receives the monies).

Unrestricted resources transmitted before the eligibility requirements are met are reported as advances by the provider and as deferred revenues by recipients. There is no deferred revenue applicable to gifts and other voluntary nonexchange transactions as of June 30, 2001.

Prepaid Items

Expenditures for rental of property, travel and other similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the year ended June 30, 2001, amounts reported in this asset account consist primarily of rent for the sports complex (see Note 6) and deposits for library purchases and travel reservations.

Cash and Cash Equivalents

The amounts shown in the financial statements in College funds as "cash and cash equivalents" represent petty cash, cash on deposit in banks, cash on deposit with the State Treasurer, cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool, and cash invested in various short term instruments by the State Treasurer and held in a separate agency account.

Most State agencies including the College participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The College records and reports its deposits in the general deposit accounts at cost. The College reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the College's special deposit accounts is posted to its account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the College's accumulated daily interest income receivable to the total income receivable of the pool. Reported income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the College's percentage ownership in the pool.

For credit risk information pertaining to the State's internal cash management pool, see the cash and deposits disclosures (Note 16).

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less at the time of acquisition.

For the College's funds not held by the State Treasurer, cash equivalents include three demand deposit accounts.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than $5 million in total of all such debt in a calendar year or if they meet specified targets for expenditures of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. Arbitrage expenditures are valued using the rebate method by professional firms contracted by the State Treasurer. The expenditure and liability, if any, are recorded in the retirement of indebtedness subgroup and a reserve fund to liquidate the liability is established.

Comparative Amounts and Totals (Memorandum Only) Columns

Amounts in the "Totals ('Memorandum Only')" columns of the balance sheet and the statement of changes in fund balances present an aggregation of financial statement line-items to facilitate financial analysis. Such amounts are not comparable to a consolidation and do not present financial information in conformity with GAAP. Interfund eliminations have not been made in the aggregation of this data except for expenditure reimbursements.

Comparative amounts and totals for the prior year are included to provide a summarized comparison with current year amounts. The prior year totals are not intended to present all of the information necessary for a fair presentation of financial position and operations in accordance with generally accepted accounting principles.

To enhance comparability, some prior year amounts have been reclassified to conform with the current year financial statement presentation as described in Note 1 and have been restated for the matters discussed in Note 25.

NOTE 2 – STATE APPROPRIATIONS

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the College receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the College's base budget amount presented in the General Funds column of Section 5E of Part 1A of the 2000-2001 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2001:

Original Appropriation	$27,036,452
State Budget and Control Board Allocations:	
Employee Base Pay Increases and Related Employee Benefits (Proviso 63C.9)	1,148,117
Employer Contributions for 401 (k) Deferred Compensation Plan (Proviso 72.22)	61,831
Supplemental Appropriation for Youth Race Initiative	50,000
State Commission on Higher Education Allocations:	
From Children's Education Endowment Fund for:	
Palmetto Fellows Scholarships	1,352,289 (A)
Need-Based Grants	805,676 (A)
For Access and Equity Desegregation Funding (Proviso 5A.5)	41,120
For Performance Funding (Proviso 5A.6)	2,072,100
For LIFE Scholarships (2000 Act 453)	4,501,169 (A)
For Academic Endowment Incentive	256,025 (A)
For Research Incentive Grants Program	233,896
For Performance Funding From Capital Reserve Fund Appropriations (June 1999 Joint Resolution R201, H3697)	3,522,152
For Need-Based Student Grants	30,170 (A)
1% State Budget Reduction	(301,221)
State Appropriations Revenue – Accrual Basis	$40,809,776
Less: Higher Education Grant/Scholarship Funding Reported In Restricted Current Funds	6,945,329 (A)
Funding Reported in Unrestricted Current Funds	$33,864,447
	==========

Proviso 72.44 of the 2000-2001 Appropriation Act authorized each agency to bring forward unspent State General Fund appropriations from the prior year into the current fiscal year up to a maximum of ten percent of its original appropriation less any appropriation reductions. Agencies which have separate carry-forward authority had to exclude the amount brought forward by such separate authority from their base for purposes of calculating the ten percent carry-forward. Pursuant to this proviso, the College brought forward $2,654,315.

Part 1 B, Section 5A.28, of the 2001-2002 Appropriation Act authorizes state supported institutions of higher education to carry-forward without limit unspent State General Fund appropriations into the next fiscal year. Pursuant to this proviso, the College carried forward $4,121,185 to fiscal year 2002.

The College recognized the following revenues from the State Commission on Higher Education as State Grants and Contracts Revenue in the restricted current funds group:

- Gaining Early Awareness and Readiness for Undergraduate Program 62,364

In addition, the College received the following state grants and contracts under State Grants and Contracts Revenue in the restricted current funds group:

- University of South Carolina $ 327,476
- South Carolina Department Of Natural Resources 44,739
- South Carolina Arts Commission 12,500
- Education Oversight Committee 15,000
- Other 2,300

NOTE 3 – STATE CAPITAL IMPROVEMENT BONDS

In the current and prior years, the State authorized funds for improvements and expansion of College facilities using the proceeds of state capital improvement bonds. As capital projects are authorized by the State Budget and Control Board, the bond proceeds are allocated to the projects. When the funds are authorized, the College records the proceeds as revenue in the unexpended plant funds subgroup. These authorized funds can be requested as needed once State authorities have given approval to begin specific projects. The College is not obligated to repay these funds to the State. The total balance receivable for the undrawn portions of the authorizations is reported in the balance sheet as "capital improvement bond proceeds receivable". A summary of the activity in the balances available from these authorizations during the year ended June 30, 2001 follows:

Act	Total Authorized	Amounts Drawn In Prior Years	Amounts Drawn In Fiscal Year Ended June 30, 2001	Balance Authorized June 30, 2001
538 of 1986	$ 5,900,000	$ 5,821,883	$ 1,501	$ 76,616
256 of 1992	5,978,000	4,831,989		1,146,011
111 of 1997	12,000,000	400,000		11,600,000
63 of 1999	15,000,000			15,000,000
453 of 2000	7,000,000			7,000,000
Total	$ 45,878,000	$ 11,053,872	$ 1,501	$ 34,822,627

The balances are reported in the unexpended plant fund subgroup. All of the balances available at June 30, 2001 are now available to be drawn by the College as needed for construction project expenditures. During fiscal year 2001 no undrawn state capital improvement bond proceeds were deauthorized. The state capital improvement bonds approved for fiscal year 2000-2001 include $4,000,000 for a science building renovation and $3,000,000 for a School of the Arts addition to the Simons Art Center.

NOTE 4 – PRIVATE GIFTS RECEIVABLE – UNEXPENDED PLANT FUND

The receivable balance of $6,174,565 in the unexpended plant fund subgroup is due from the College of Charleston Foundation and includes $6,000,000 from private sources for the construction of the new library and $174,565 also from private sources for the renovation of the Avery Institute (See Note 18). This receivable was also reported in the fiscal year 1999-2000 report.

NOTE 5 – BONDS PAYABLE

At June 30, 2001, bonds payable consisted of the following liability which is reported in the investment in plant subgroup:

	Interest Rates	Year of Maturity	June 30, 2001 Balances	Fiscal Year 2002 Maturities
Housing and Auxiliary Facilities Revenue Refunding Bonds Series 1992A	5.10 - 6.125%	2013	$ 14,375,000	$ 865,000
Facilities and Improvement Revenue Refunding Bonds Series 1992	5.00 – 5.5%	2007	3,680,000	545,000
Total			$ 18,055,000	$1,410,000
			===========	========

Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 1992A

The College receives an interest subsidy from the U.S. Department of Housing and Urban Development (HUD) in the amount of $13,462 designated for debt service on the Housing and Auxiliary Facilities Revenue Refunding Bonds Series 1992. The HUD subsidy is recorded as federal grants revenue in the retirement of indebtedness plant funds. These subsidies will continue until the defeased Student Faculty Housing Revenue Bonds are paid by escrow agent. The various bond indentures restrict the use of particular revenue sources. All housing, cafeteria and parking revenues including any loan subsidies are restricted, up to the amount of annual debt service requirement, for the payment of principal and interest on the Housing and Auxiliary Revenue Refunding Bond Series 1992. Interest is paid semi-annually and the principal annually. These debt service requirements are funded twice yearly and are reported as mandatory transfers from the Auxiliary Enterprise activities supporting the Series 1992 bonds which are as follows:

Activity	Revenues	Expenditures	Mandatory Transfers Amount	Mandatory Transfers Percent
Housing	$ 6,901,429	$ 4,687,053	$ 1,526,709	90.0
Cafeteria	4,283,079	4,263,613	98,388	5.8
Parking	1,063,805	886,386	71,246	4.2

The College purchased a bond insurance policy in favor of the bond Trustee for the Series 1992A Bonds. The insurance covers payments of principal and interest for any period where fees would not be sufficient to pay the debt service payment. Accordingly, there is no reserve requirement for these bonds.

Beginning on or after October 1, 2002, the Series 1992A bonds maturing may be redeemed prior to the mandatory redemption dates and final maturities at the option of the College's Board of Trustees. The bonds redeemed are subject to a redemption price equal to the par value of the bond and accrued interest to date.

Facilities and Improvement Revenue <u>Refunding Bonds, Series 1992</u>

An allocation of College fee revenue as determined each year by the Board of Trustees, is used to pay principal and interest on the bonds. The bond covenant states that the College will collect each semester amounts sufficient to meet debt requirements.

With the State Treasurer of South Carolina, as Trustee, the College makes semi-annual payments to accounts held by the Treasurer to pay the necessary principal and interest payments. The Series 1992 bond covenant terms require the College to maintain with the Trustee a debt service reserve fund amount not exceeding the lesser of (1) the maximum annual principal and interest requirements of the bonds then outstanding for any subsequent fiscal year or (2) a sum permitted as reserve by the regulations of the United States Treasury relating to arbitrage bonds. A debt service reserve fund balance of $799,698 was on deposit with the State Treasurer to meet the reserve requirement of $753,065 which represents the sum allowable by the United States Treasury relating to arbitrage bonds.

All student fees are reported as revenue in the unrestricted current funds and the portion allocated for debt service on these bonds is recorded as a mandatory transfer to the retirement of indebtedness fund each academic term. Payments are made on principal annually and interest semi-annually. The bond covenant requires the fee allocation be so structured that it will raise not less than 110% of the annual debt service requirements for the next ensuing fiscal year of all bonds outstanding. The College fee allocation for this purpose exceeds this requirement.

Beginning on or after January 1, 2003, the Facilities and Improvement Revenue Refunding Bonds Series 1992 maturing on and after January 1, 2003, may be redeemed prior to mandatory redemption dates and final maturities at the option of the College's Board of Trustees. The bonds redeemed are subject to the following terms:

(1) if the redemption is made before January 1, 2004, the redemption premium shall be two percent (2%) of the principal amount of each Series 1992 Bond redeemed;

(2) if the redemption is made on or after January 1, 2004, but before January 1, 2005, the redemption premium shall be one percent (1%) of the principal amount of each Series 1992 Bond redeemed.

(3) if the redemption is made on or after January 1, 2005, there shall be no redemption premium.

<u>Bond Maturities</u>

All of the bonds are payable in semi-annual installments plus interest. Amounts including interest required for payment of the revenue bond obligations as of June 30, 2001 are as follows:

Year Ending June 30	Principal	Interest	Total
2002	$ 1,410,000	$ 1,023,619	$ 2,433,619
2003	1,490,000	948,093	2,438,093
2004	1,575,000	866,028	2,441,028
2005	1,615,000	777,625	2,392,625
2006	1,705,000	685,122	2,390,122
2007-13	10,260,000	2,220,913	12,480,913
Total Obligations	$ 18,055,000	$ 6,521,400	$ 24,576,400

During fiscal year 2001, the College paid principal in the amount of $1,330,000 for the two bonds, and reported interest expenditures and other charges on the bonds of $1,076,003. No arbitrage costs were incurred during 2000-2001.

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments (principal and interest) on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2001, $3,029,000 of bonds outstanding is considered defeased.

NOTE 6 – LEASE OBLIGATIONS

The College is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment. .

Future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2001 are as follows:

Year Ending June 30	Operating Leases	
	Real Property	Equipment
2002	$ 1,599,095	$ 168,745
2003	562,318	143,160
2004	386,993	67,795
2005	212,518	977
2006	120,000	
2007 through 2062	6,690,000	
Total Minimum Lease Payments	$ 9,530,924	$ 380,677

Capital Lease

In a prior fiscal year the College entered into a capital lease for computer equipment in the total amount of $153,807 at an annual interest rate of 5.62%.

Capital lease expenditures for fiscal year 2001 were $62,169, of which $3,156 represented interest and $2,857 represented executory costs. The capital lease was terminated at June 30, 2001. The College had no capital leases with related parties in the current fiscal year.

Operating Leases

The College's non-cancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2002 through 2062. Certain operating leases provide for renewal options for periods of one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

In 2001, the College renewed real property operating leases with the College of Charleston Foundation, a related party, for sixteen different locations for offices, dormitories and parking from July 1, 2000 through June 30, 2001 for annual rentals of $500,059. The agreements contain renewal options. Under these agreements, the College paid the Foundation $500,059 in the current year. These leases provide that the College assumes responsibility for the maintenance of the property. There are no escalation clauses in the leases nor is the College liable for property taxes. During the subsequent fiscal year, the College renewed all existing leases with the Foundation. The terms of the lease agreements are subject to annual changes.

In the case of operating leases for real property from commercial vendors, there exist two leases with escalation clauses limited to the cost of living. The leased properties consist of a parking lot and a warehouse. Additionally, the College pays the commercial vendor property taxes. The College performs routine maintenance on these properties. These costs are not included in the schedule of lease commitments.

Additionally, the College leases a sports complex field from the Patriots Point Development Authority, a State Agency, with annual rents of $90,000 per year ($7,500 per month) April 1, 1997 through March 31, 2002 and $10,000 per month April 1, 2002 through March 31, 2062 with annual increases equal to the Consumer Price Index beginning April 1, 2003. A one-time payment of $500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65 year lease term utilizing the straight line method of calculation. The lease agreements make no provisions beyond the 65 year period. The unamortized balance at June 30, 2001 is $467,309. Amortization of the prepaid rent balance for fiscal year 2001 was $7,692 and is reported in operating lease expenditures. The College provides maintenance to the tax exempt property. The College paid the Patriots Point Development Authority $90,000 in rent in fiscal year 2001.

Total operating lease expenditures for fiscal year 2001 were $1,680,530. The College reports all of these operating lease costs in the unrestricted current funds functional expenditure categories.

NOTE 7 – NONMANDATORY TRANSFERS

Debt service funds become available for transfer because of the maintenance of minimum balances including reserves for payment of debt service and facility operating costs as required by bond indentures and law. Tuition, fees, and revenues pledged for debt service when collected and transferred to the retirement of indebtedness plant funds subgroup remain in the debt service accounts until they are transferred by the State Treasurer into a general capital improvements funding account. For housing and auxiliary bonds and facilities and improvement bonds issued by the College, a written request for the transfer of funds in excess of required minimum balances is submitted by the College to the State Treasurer. As needed, monies are transferred from the general capital funding account to specific capital projects accounts. For the most part, institutions are authorized to make transfers for specific projects with notification to the State Treasurer.

The College reports its general capital funding account in the unexpended plant funds subgroup and the unexpended balance thereof as unrestricted fund balance. In fiscal year 2001, the College transferred $3,357,233 from the retirement of indebtedness subgroup to the unexpended plant funds subgroup to finance specific capital projects. Those transactions are reported as nonmandatory transfers and the unexpended balances in all such project accounts are reported as restricted fund balances.

During the current year, the College transferred $5,223,596 within that subgroup from the general capital projects funding account to finance specific capital projects. Unexpended balances of the specific capital project accounts are reported as restricted fund balances in the unexpended plant funds subgroup.

The College also reports nonmandatory transfers of $3,406,834 from unrestricted current funds group which includes $942,700 to the unexpended plant fund for specific capital projects and $2,464,134 to retirement of indebtedness for unspecified future projects. The $942,700 represents college fees approved by the State Budget and Control Board for educational and general capital projects. In addition, the College reports a nonmandatory transfer of $5,550,000 from unexpended plant funds to quasi-endowment fund. This amount represents the proceeds from the sale of Remley's Point propery.

NOTE 8 – PENSION PLANS

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.

The majority of employees of the College 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.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years service and qualify for a survivor's benefit upon completion of 15 years credited service (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service (this requirement does not apply if the disability is the result of a job-related injury). A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

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.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2000, the employer contribution rate became 10.07 percent which included a 2.52 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2001, 2000, and 1999, were $2,561,328, $2,320,000, and $2,180,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of $50,887 in the current fiscal year at the rate of .15 percent of compensation. In addition, the College paid the employer's 7.55 percent share ($65,954) of pension costs for employees buying retirement time.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan. 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.

Employees covered under PORS are eligible for a monthly pension payable at age 55 with a minimum of five years service or 25 years credited service regardless of age. In addition, employees who have five years of credited services prior to age 55 can retire yet defer receipt of benefits until they reach age 55. A member is vested for a deferred annuity with five years service. The benefit formula for full benefits effective since July 1, 1989, for the PORS is 2.14 percent of the employee's average final salary multiplied by the number of years of credited service. Disability annuity benefits and the group-life insurance benefits for PORS members are similar to those for SCRS participants. Accidental death benefits provide a monthly pension of 50 percent of the member's budgeted compensation at the time of death.

Since July 1, 1998, employees participating in the PORS have been required to contribute 6.5% of all compensation. Effective July 1, 2000, the employer contribution rate became 12.82 percent which, as for the SCRS, included the 2.52 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2001, 2000, and 1999, were $191,784, $156,000 and $60,000, respectively, and equalled the required contribution of 10.3 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of $3,023 and accidental death insurance contributions of $3,023 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

The amounts paid by the College for pension, group-life insurance, and accidental death benefits are reported as employer contributions, expenditures within the applicable current funds functional expenditure categories to which the related salaries are charged.

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 to SCRS (and PORS) are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the College's liability under the plans is limited to the amounts of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the College's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated therefor in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS or PORS receive additional service credit (at a rate of 20 days equals one month of service) for up to 90 days for accumulated unused sick leave.

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 four-year higher education institutions and effective July, 1998 to certain teachers and administrators of the State's publicly-supported technical colleges 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, 7.55 percent plus the retiree surcharge of 2.52 percent from the employer in fiscal year 2001.

Certain of the College's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were $908,418 (excluding the surcharge) from the College as employer and $721,922 from its employees as plan members. In addition, the College paid $18,048 for group-life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

NOTE 9 – POSTEMPLOYMENT AND OTHER EMPLOYEE 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 College are eligible to receive these benefits. The State provides postemployment 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.

These benefits are provided through annual appropriations by the General Assembly to the College 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 College 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. Currently, approximately 20,100 State retirees meet these eligibility requirements.

The College recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees in the amount of $3,185,088 for the year ended June 30, 2001. As discussed in Note 8, the College paid $872,269 applicable to the 2.52 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 College retirees is not available. By State law, the College 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 System's earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 10 – DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College 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.

The State authorized deferred compensation matching contributions for fiscal year 2000-2001. The contributions are funded from various funding sources based on the same percentages used for employees' salaries.

The State appropriated funds from unspent fiscal year 1999-2000 appropriations for the portion of contributions paid from State General Funds to 401(k) accounts of eligible state employees. The 401(k) match is limited to $300. To be eligible, an employee must be a permanent full-time State employee or temporary grant employee who is actively contributing to a 401(k), 457, or 403(b) account on the date of distribution. Permanent full-time employees making less than $20,000 as of July 1, 2000, are not required to contribute in order to receive the match.

Beginning January 1, 2001, the College made contributions of $25 per pay period from state appropriations and other applicable funding sources to the 401(k) account of each eligible State employee for a total of $147,128 for all College employees. The expenditures are reported in the applicable functional expenditure categories in which the salaries for the benefiting employees are recorded.

NOTE 11 – INVENTORIES

Inventories for internal use are valued at cost. Other inventories for resale are valued at the lower of cost or market. The following is a summary by inventory category of cost determination method and value at June 30, 2001:

Category	Method	
Bookstore	Moving weighted average	$1,912,152
Central Supply	First-in, first-out	209,503
Total		$2,121,655
		=========

NOTE 12 – INTERFUND LIABILITIES AND BORROWINGS

For the most part, the College operates out of one cash account which is recorded in unrestricted current funds. At fiscal year-end, entries are made to properly reflect cash balances by fund group and subgroup and to report interfund liabilities for deficit cash balances in the State's internal cash management pool accounts by fund. In addition, during the year, certain interfund borrowings occurred. At June 30, 2001, the restricted current funds were obligated to the unrestricted current funds in the amount of $498,826. This amount represents reimbursable amounts for federal programs to be received during fiscal year 2002 and the liability will be repaid without interest when the reimbursements are received.

Additionally, the unrestricted current funds were obligated to agency funds in the amount of $89,475, which represents the excess of student club revenues over expenditures.

13 – STUDENT LOANS, ACCOUNTS AND OTHER RECEIVABLES

The College has the following significant and/or unique receivables in its various fund groups and subgroups:

Unrestricted Current Funds:		
Cafeteria and Vending Commissions	$ 234,720	
Bookstore Book Credit Memos	544,210	
Student Academic Fees Receivable, Net	2,148,720	
Student Auxiliary Service Fees, Net	211,288	
Sottile Auditorium and Other	97,142	
		$ 3,236,080
Restricted Current Funds:		
Grants and Contracts		
Federal	$ 481,219	
State	103,903	
		585,122
Private Gifts		
Related Parties	615,573	
		615,573
Loan Funds:		
Perkins Loan Program	$ 2,238,369	
Baruch Loan Program	100	
		2,238,469
Agency Funds:		
Advances for the benefit of future activities		59,151
Total		$ 6,734,395
		==========

At June 30, 2001, accounts receivable in the unrestricted current funds group are reported net of the applicable allowance for doubtful accounts. With minor exceptions, the allowance for losses for various accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolios. At June 30, 2001, the allowance for student academic fees receivable and student auxiliary service fees accounts receivable in the unrestricted current funds are valued at $120,113 and $30,000, respectively. Any account receivable written off is recognized in the period in which the receivable is considered uncollectible.

Losses for student loans receivable in the loan fund group are not estimated and an allowance for uncollectible accounts is not recorded. This amount is not considered material enough to adversely affect the financial statements. At the time a loan is considered to be uncollectible, it is charged to the principal of the fund from which the loan was made.

NOTE 14 – CONSTRUCTION COSTS AND COMMITMENTS

The College has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant assets categories upon completion. Management estimates that the College has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next five years at an estimated total cost of $51,600,000. Of the total cost, approximately $48,500,000 was unexpended at June 30, 2001. The College capitalized substantially complete and in-use projects costing $4,167,722 in the applicable plant asset categories for the year ended June 30, 2001. The College had outstanding commitment balances of approximately $1,600,000 with certain engineering firms, construction contractors, and